

List of Respondents:

Response #	Respondent Name	Country	Function
001	Zambia Institute of Chartered Accountants	Zambia	Member or Regional Body
002	The Committee on Accounting for Public Benefit Entities (CAPE) of the Financial Reporting Council (FRC)	UK	Standard Setter/Standards Advisory Body
003	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
004	Direction Générale des Finances Publiques (DGFIP)	France	Preparer
005	Fédération des Experts Comptables Européens (FEE)	International	Member or Regional Body
006	Wales Audit Office	UK	Audit Office
007	Public Sector Accounting Board (PSAB, from staff)	Canada	Standard Setter/Standards Advisory Body
008	Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
009	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
010	Office of the Auditor General of Canada	Canada	Preparer
011	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
012	European Commission	Europe	Preparer
013	New Zealand Accounting Standards Board (XRB)	New Zealand	Standard Setter/Standards Advisory Body
014	Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises (IBR-IRE)	Belgium	Member or Regional Body
015	Swedish National Financial Management Authority (ESV)	Sweden	Standard Setter/Standards Advisory Body
016	Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA)	USA	Preparer
017	The Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
018	Association of Chartered Certified Accountants (ACCA)	International	Member or Regional Body
019	Cour des Comptes	France	Audit Office

Response #	Respondent Name	Country	Function
020	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
021	Institut der Wirtschaftsprüfer (IDW)	Germany	Member or Regional Body
022	The Institute of Chartered Accountants of Jamaica	Jamaica	Member or Regional Body
023	KPMG IFRG Limited	International	Accountancy Firm
024	The South African Institute of Chartered Accountants (SAICA)	South Africa	Member or Regional Body
025	Australian Accounting Standards Board (AASB)	Australia	Standard Setter/Standards Advisory Body
026	Joint Accounting Bodies	Australia	Member or Regional Body
027	Malaysian Institute of Accountants	Malaysia	Member or Regional Body
028	Denise Silva Ferreira Juvenal	Brazil	Other
029	The Malaysian Institute of Certified Public Accountants (MICPA)	Malaysia	Member or Regional Body
030	Ernst & Young Global Limited	International	Accountancy Firm
031	Task Force on Accounting Standards, United Nations System	International	Preparer
032	Comptroller, Province of Manitoba, Canada	Canada	Preparer
033	Australasian Council of Auditors-General (ACAG), Financial Reporting and Auditing Committee	Australia	Audit Office



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19th June 2013

**The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2
CANADA**

Dear Stephenie,

Comments on Conceptual Framework Exposure Draft Four (4) – Presentation in General Purpose Financial Reports.

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Exposure Draft four (4) - Presentation in General Purpose Financial Reports; issued by the International Public Sector Accounting Standards Board (IPSASB), in April 2013.

We strongly support the IPASB's project which is being undertaken, as it will provide a framework for the consistent and comparable preparation and presentation of financial statement in public sector entities' financial statements.

The Institute deliberated the ED and our responses to specific questions are as follows:

Question 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Comment

We agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them.

Question 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Comment

The Institute agrees with the three proposed presentation decisions.

Question 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Comment

Yes we do agree with the proposed approach to making presentation decisions in Section 1.

Question 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

Comment

The Institute agrees with the description of information selection in Section 2.

Question 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Comment

The Institute agrees with the description of information location in Section 3.

Question 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

Comment

The Institute agrees with the description of information organization in Section 4

Question 7

Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Comment

We do consider that CF–ED4 contains sufficient details.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Modest Hamalabbi
Technical and Standards Manager



Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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Canada

Submitted via www.ifac.org

25 July 2013

Dear Stephenie

Re Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

The Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the above exposure draft. CAPE is an advisory committee to the FRC's Accounting Council, which advises the FRC Board as the UK standard-setter. It should be noted that as the IASB's Conceptual Framework develops so too may the Council and Board's thinking.

We reiterate our comments from previous responses to the conceptual framework that we believe that it is important that the differences between the IASB and IPSASB be minimized where possible. We urge the IPSASB and the IASB to minimise any differences.

We commend the IPSASB for tackling this difficult topic. The exposure draft is a great improvement on the preceding consultation paper.

Our responses to the Specific Matters for Comment are set out in the attached Appendix. If you require any further information, please contact Mei Ashelford (M.Ashelford@frc.org.uk) or telephone +44 (0) 20 7492 2420.

Yours sincerely

A handwritten signature in black ink that reads 'Melanie McLaren'.

Melanie McLaren
Executive Director, Codes and Standards
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SMC 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Yes - we agree with the proposed definitions of presentation, display and disclosure.

SMC 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If no, how would you modify the identification of presentation decisions?

Yes – we agree with the identification of the three presentation decisions.

SMC 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Although we agree that presentation decisions have to be made at differing levels we do not consider that the term ‘lower level’ accurately portrays the granular level at which the presentation would be made. Therefore we suggest altering the terms which describe the levels to something akin to ‘broader’ and ‘detailed’.

SMC 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and***
- (b) Within other GPFRs?***

If not how would you modify the description(s)?

Whilst we agree with the description of information selection for financial statements and other GPFRs we consider that the concept of materiality is re-emphasised to ensure that reports do not become cluttered and therefore obscuring relevant information. We realise that materiality is addressed in Chapter 1 of the Conceptual Framework but we believe reiterating its importance will aid preparers when they select which information to present.

SMC 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;***
- (b) In other GPFRs; and***
- (c) Between different reports with GPFRs?***

If not, how would you modify the descriptions(s)?

We agree with the description of information location in the financial statements and in other GPFRs. However, regarding (c) above, aside from the description on *linkage, nature* and *jurisdiction specific* in paragraph 3.3 there does not appear to be any further commentary therefore we find it hard to respond to this question.

SMC 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and***
- (b) In other GPFRs?***

We agree with the description of information organization in Section 4 regarding financial statements and other GPFRs. However we consider that it might useful to discuss the use of columns vs. rows to potentially make information more useful to users.

SMC 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We consider that the ED generally contains sufficient detail on concepts applicable to GPFRs. However, we believe it should include a discussion on the concept of materiality, as the reporting of immaterial information can clutter reports and impair their understandability.



Paris, 5th July 2013

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Ms Stephenie Fox
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**Re: Conceptual Framework Exposure Draft – Presentation in General Purpose
Financial Reports**

Dear Ms Fox,

Please find enclosed the response of the Public Sector Accounting Standards Council (CNOCP) to the above-mentioned Exposure Draft.

The Public Sector Accounting Standards Council welcomes the IPSAS Board's initiative in working in depth on a conceptual framework for public-sector entities. Although the Council has already commented several times on the genuine importance of the work on phases 1, 2 and 3, it has doubts about this consultation paper's actual significance. While the Council acknowledges clarification of points in the prior paper submitted for consultation during the second quarter of 2012, this paper's specific provisions, many seemingly obvious, are in the nature of recommendations. Thus it should properly have the status of a "guidance" document, and is not on the same level as the other chapters of the conceptual framework.



The Council expresses a negative opinion to the publication of such a document within the conceptual accounting framework for public-sector entities, as it applies to financial reports that have nothing to do with the conceptual accounting framework. The Council believes that the scope of the General Purpose Financial Reports¹ is not within the framework of setting accounting standards. Accordingly, the Council reiterates its reserve concerning the scope concerned, as expressed in the prior consultations on the conceptual framework, the performance report, the report on the sustainability of public finance and the management report.

In fact, the Council suggests that this paper be given the status of a recommendation applicable only to financial statements (General Purpose Financial Statements). Subject to adoption of this proposal, the Council notes that certain provisions of this document apply to items in phases 2 and 3 of the conceptual framework, which have not yet been formally adopted. It is thus difficult to evaluate their relevance.

Yours sincerely

Michel Prada

¹ *Excerpt of the consultation paper on the performance report (Reporting service performance information): GPFs can report information about the past, present and future that is useful to users – including financial and non financial, quantitative and qualitative information about (a) the achievement of financial and service delivery objectives in the current reporting period, and (b) anticipated future service delivery activities and resource needs (page 6 – Executive summary).*



ANNEX

RESPONSES TO THE QUESTIONS IN THE EXPOSURE DRAFT

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

The Council does not approve of the publication of such a document as an integral part of the conceptual accounting framework, as it applies to financial reports that have nothing to do with setting accounting standards. It finds that the items in Section 1 should be applied only to the accounting data in the financial statements.

That said, the Council notes great improvement in this document’s wording compared with the Consultation Paper. The definition of “displayed information” that communicates key messages has been clarified, as has the definition of “disclosed information” that aims to provide additional information to supplement the balance sheet and income statement in the General Purpose Financial Statements. The distinction between “displayed information” and “disclosed information” is useful, relevant and clear. It would be useful to include these information items in a recommendation, not as part of the standards’ framework. This recommendation could also create a link to the provisions of the IPSAS 1 standard, “Presentation of Financial Statements”, for consistency between the two documents, even though they are not at the same level.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

As noted above, the Council is not in favour of applying items in the document submitted for consultation to financial reports, which are within a different framework from that under which accounting standards are set.

With regard only to accounting data within the scope of the General Purpose Financial Statements, the Council agrees with this method of identifying the three items that characterise the various information levels (selection, location and organization).

The Council also questions the formulation of the objective that this information is expected to meet. It should enable provision of “information about economic and other phenomena”. The Council would like this wording to be clarified in the context of public entities.



Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

As long as these items apply only to the General Purpose Financial Statements, the Council agrees with the items in this Section.

As mentioned above, the Council notes great improvement in the wording of this Section 1 compared with the earlier Consultation Paper. The definitions of “displayed information” and “disclosed information” have been clarified, and the distinction between them is now relevant and clear. However, the Council also emphasises that the text provides little information on implementation methods for these provisions.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description (s)?

(a) The Council agrees with the proposals concerning financial statements, although they partially recall the general principles already present in the first part of the Conceptual Framework (published January 2013).

It notes that the reference to the concept of materiality in Section 3, “information location”, paragraph 3.5, would be more suitable for inclusion in Section 2, “information selection”.

(b) The Council is not in favour of this proposal, as it concerns financial reports, which are within a different framework from that under which accounting standards are set.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

(a) In the financial statements;

(b) In other GPFRs?; and,

(c) Between different reports within GPFRs?

If not, how would you modify the description (s)?

(a) Concerning information location within the financial statements, the Council agrees with the items in the Exposure Draft. However, it believes that in fact the preparer of financial statements has little latitude concerning information location therein.



Moreover, information location raises a number of questions concerning the obligation to certify financial statements, the need for standardisation of documents produced, and the costs incurred. The Exposure Draft makes no recommendations in these areas.

- (b) (c) The Council reiterates its opposition to the scope of the GPFRs. Therefore, the Council declines to comment on the proposals on the location of various items of information in the GPFRs or the allocation of information between GPFSS and GPFRs.

Specific Matter for Comment 6

Do you agree with the description of information location in Section 4:

(a) In the financial statements;

(b) In other GPFRs?; and,

If not, how would you modify the description (s)?

- (a) These items recall the general principles but as long as they apply only to the financial report, the Council is in favour of this proposal (paragraphs 4.1, 4.2 and 4.3).
- (b) As the Council is opposed to standardising reports concerning GPFRs, it is not in favour of the provisions in paragraphs §4.5, §4.6 and §4.7. Moreover, the Council notes that the communication report does not need to be standardised, nor does the present document anticipate that it would be standardised, because information production should allow for free exchange.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Given its opposition to applying accounting standards to documents concerning the scope of GPFRs, the Council does not wish to express an opinion on this point.



FRENCH VERSION

Le Conseil de normalisation des comptes publics salue l'initiative qu'a prise l'IPSAS Board d'engager des réflexions approfondies sur le cadre conceptuel des entités du secteur public. Si le réel intérêt des travaux des phases 1, 2 et 3 a déjà été souligné à plusieurs reprises, le Conseil émet des doutes sur la portée réelle de ce document de consultation. Si le Conseil apprécie les clarifications apportées par rapport au précédent document soumis à consultation au cours du second trimestre 2012, les dispositions de ce document qui rappellent pour bon nombre d'entre elles des évidences, s'assimilent, selon nous, à des recommandations. Aussi ce document devrait-il revêtir le statut de « guidance », et ne peut se situer au même niveau que les autres chapitres du cadre conceptuel.

Par ailleurs, le Conseil manifeste son opposition à la publication d'un tel document au sein du cadre conceptuel comptable des entités du secteur public, dès lors qu'il vise des rapports financiers non concernés par ce cadre conceptuel comptable. Le Conseil considère que le périmètre des « General Purpose Financial Reports² » se place dans un cadre différent de celui de la normalisation comptable. Le Conseil renouvelle donc la réserve sur le périmètre retenu, déjà exprimée lors des consultations précédentes sur le cadre conceptuel, le rapport de performance, le rapport sur la soutenabilité des finances publiques et le rapport de gestion.

En définitive, le Conseil suggère que ce document revête un statut de recommandation et ne s'applique qu'aux seuls états financiers (« General Purpose Financial Statements »). Si cette proposition devait être retenue, le Conseil remarque que certaines dispositions de ce document s'appliquent à des éléments relevant des phases 2 et 3 du cadre conceptuel qui n'ont pas à ce jour fait l'objet d'une adoption formelle, et pour lesquelles il est donc difficile d'en évaluer la pertinence.

² Extrait du document de consultation sur le rapport de performance (*Reporting service performance information*): *GPFRs can report information about the past, present and future that is useful to users – including financial and non financial, quantitative and qualitative information about (a) the achievement of financial and service delivery objectives in the current reporting period, and (b) anticipated future service delivery activities and resource needs (page 6 – Executive summary).*



1. Etes-vous d'accord avec les descriptions proposées pour les termes “presentation” (présentation), “affichage” (display) et “informations complémentaires” (disclosure), et la présentation dans la section 1 des relations entre ces éléments ? En cas de désaccord, comment les modifieriez-vous ?

Le Conseil n'est pas favorable à la diffusion d'un tel document faisant partie intégrante du cadre conceptuel comptable dès lors qu'il concerne des rapports financiers qui se placent dans un cadre différent de celui de la normalisation comptable. Il considère que les éléments figurant dans cette section 1 ne doivent concerner que les données à caractère comptable figurant dans les états financiers.

Ce principe étant posé, le Conseil note que la rédaction de ce document s'est nettement améliorée par rapport au document de consultation. Ainsi la définition des « displayed information » qui communiquent les messages-clés a été clarifiée, de même que celle des « disclosed information » dont l'objet est de fournir des informations complémentaires au bilan et au compte de résultat au sein des états financiers (« General Purpose Financial Statements »). La distinction entre les « displayed » et « disclosed » information est utile, pertinente et claire. Néanmoins, ces éléments d'information qui pourraient utilement figurer dans une recommandation ne relèvent pas du niveau normatif. Cette recommandation pourrait également faire le lien avec les dispositions de la norme IPSAS 1 « Presentation of Financial Statements », afin de rendre cohérent ces deux documents, même s'ils ne sont pas du même niveau.

2. Etes-vous d'accord avec l'identification en section 1 de trois décisions en matière de présentation (sélection, localisation et organisation) ? Dans la négative, comment modifieriez-vous l'identification des décisions de présentation ?

Comme rappelé *supra*, le Conseil n'est pas favorable à ce que les éléments figurant dans le document soumis à consultation s'appliquent aux rapports financiers qui se placent dans un cadre différent de celui de la normalisation comptable.

Pour ce qui concerne les seules données comptables relevant du périmètre des « General Purpose Financial Statements », le Conseil est d'accord avec la façon d'identifier les trois éléments caractérisant les différents niveaux d'information (sélection, localisation, organisation).

Par ailleurs, le Conseil s'interroge sur la formulation de l'objectif auquel doit répondre une telle information. Celle-ci doit en effet permettre de donner une information sur les données économiques et autres événements (« information about economic and other phenomena »). Le Conseil souhaite que cette rédaction soit éclaircie dans le contexte des entités publiques.



3. *Etes-vous d'accord avec l'approche proposée en section 1 en matière de prise de décision ? Dans la négative, comment la modifieriez-vous ?*

Dès lors que ces éléments ne s'appliquent qu'aux seuls états financiers, le Conseil est d'accord avec les éléments figurant dans cette section.

Comme rappelé *supra*, le Conseil note que la rédaction de cette section 1 s'est nettement améliorée par rapport au précédent document de consultation. Ainsi la définition des « displayed information » et des « disclosed information » a été clarifiée et la distinction apparaît désormais pertinente. Le Conseil souligne néanmoins que le texte donne peu d'informations sur les modalités de mise en œuvre de ces dispositions.

4. *Etes-vous d'accord avec la description en matière de sélection de l'information figurant en section 2 :*

(a) dans les états financiers ; et

(b) dans les autres rapports financiers à usage général (GPFRs) ?

Dans la négative, comment modifieriez-vous cette (ces) description(s) ?

- (a) Le Conseil est d'accord avec les propositions portant sur les états financiers bien qu'elles rappellent pour partie des principes généraux qui figurent déjà dans la première partie du cadre conceptuel (publié en janvier 2013).

Il note que la référence à la notion de « matérialité », qui figure dans la section 3 « information location » paragraphe 3.5, aurait mieux sa place en section 2 « information selection ».

- (b) Le Conseil n'est pas favorable à cette proposition, dès lors qu'elle concerne des rapports financiers qui se placent dans un cadre différent de celui de la normalisation comptable.

5. *Etes-vous d'accord avec la description en matière de localisation de l'information figurant en section 3 :*

(a) dans les états financiers ;

(b) dans les autres rapports financiers à usage général (GPFRs) ? et

(c) entre différents rapports au sein des GPFRs ?

Dans la négative, comment modifieriez-vous cette (ces) description(s) ?

- (a) Concernant la localisation des informations au sein des états financiers, le Conseil est d'accord avec les éléments de l'exposé-sondage. Il considère toutefois qu'en matière de localisation des informations dans les états financiers, le préparateur des comptes a néanmoins peu de latitude.



Par ailleurs, la localisation des informations soulève un ensemble de questions, au regard des obligations de certification des états financiers, du besoin de standardisation des documents produits, ainsi que des coûts de mise en oeuvre. L'exposé-sondage n'apporte aucune préconisation sur ces considérations.

- (b) (c) Le Conseil rappelle son opposition au périmètre des GPFRs. Dès lors, le Conseil ne souhaite pas se prononcer sur les propositions de localisation des différentes informations dans les GPFRs ou d'allocations des informations entre GPFSs et GPFRs.

6. *Etes-vous d'accord avec la description en matière d'organisation de l'information figurant en section 4 :*

(a) *dans les états financiers ; et*

(b) *dans les autres rapports financiers à usage général (GPFRs) ?*

Dans la négative, comment modifieriez-vous cette (ces) description(s)?

- (a) Ces éléments rappellent des principes généraux mais dès lors qu'ils ne s'appliquent qu'au rapport financier, le Conseil est favorable à cette proposition (paragraphe 4.1, 4.2 et 4.3).
- (b) Le Conseil étant opposé à ce que des rapports relevant du GPFRs soient normalisés, il n'est pas favorable aux dispositions figurant dans les paragraphes 4.5, 4.6 et 4.7. Par ailleurs, le Conseil rappelle que le rapport de communication n'a pas à être standardisé, ce que le présent document ne prévoit d'ailleurs pas, car tout exercice de communication doit être laissé libre.

7. *Considérez-vous que l'exposé-sondage phase 4 du cadre conceptuel contient un niveau de détail suffisant en matière de concepts applicables à la présentation des rapports financiers à usage général (GPFRs), incluant les états financiers de l'Etat et des autres entités publiques. Dans la négative, quelles seraient vos propositions complémentaires ?*

Compte tenu de son opposition à la normalisation comptable de documents relevant du périmètre des GPFRs, le Conseil ne souhaite pas se prononcer sur ce point.



Paris, le **17 JUIL. 2013**

DIRECTION GÉNÉRALE DES FINANCES PUBLIQUES

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Ms Stephenie FOX

Technical director of IASB

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Object: Response to the Conceptual Framework Exposure Draft 4: Presentation in General Purpose Financial Reports

I am writing on behalf of "Direction Générale des Finances Publiques" (DGFIP) to express our views on the mentioned above Conceptual Framework Exposure Draft 4, "CF-ED4" on Presentation in General Purpose Financial Reports.

LE CHEF DE SERVICE

David LITVAN

1. GENERAL COMMENTS

The "Direction générale des finances publiques" (The French Directorate of Public Finances), "DGFIP", thanks the IPSAS Board for publishing this Exposure Draft ("CF-ED4"). While the earlier phases of the conceptual framework were of particular interest, as mentioned in our previous comment letters, the interest and conceptual scope of CF-ED4 is more limited. Although financial statement producers are always keen to find ways of improving the presentation of their statements, we consider that the operating guidelines set out in CF-ED4 have more in common with a guidance document than a conceptual framework.

The conceptual framework phase clearly covers documents outside the scope of the financial statements. As stated in our previous comment letters, we consider that the IPSAS Board's jurisdiction does not extend beyond accounting standard-setting. Accordingly, we are unable to approve the scope of this Exposure Draft.

In light of these preliminary remarks, we suggest including the contents of CF-ED4 in a guidance document rather than in the conceptual framework for international public sector reporting.

2. COMMENTS ON THE SPECIFIC MATTERS FOR COMMENT

• Specific Matter for Comment 1

Do you agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

The definitions relating to financial statement presentation, displayed information (key information for understanding financial statements) and disclosed information (detailed information, such as calculation methods and figures, for understanding displayed information) are clear and we have nothing else to add in this respect.

• Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

Based on this view, we are unable to approve the comments set out in paragraph 1.9 since they do not concern accounting matters.

We agree, however, that the selection, location and organisation of accounting information should meet the needs of financial statement users.

- **Specific Matter for Comment 3**

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

We do not agree with the proposed approach whereby accounting information would be included in reports separate from the financial statements. This would amount to spreading information sources more thinly. In fact, financial statements that also include explanatory notes better inform the reader by including all the information needed to understand them. Accordingly, if events have caused significant changes in financial statement figures, these statements must include all the information allowing users to understand those changes.

The sections on Highlights and Events after the Reporting Date (IPSAS 14) contribute to the quality of the information.

- **Specific Matter for Comment 4**

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description(s)?

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

- (a) We agree with the description of the information selected for the financial statements.
- (b) We consider that the other reports do not fall under the authority of the IPSAS Board.

- **Specific Matter for Comment 5**

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;*
 - (b) In other GPFRs; and,*
 - (c) Between different reports within GPFRs?*
- If not, how would you modify the description(s)?*

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

- (a) We consider that all the information needed to understand the financial statements should be reported in those statements and be auditable.
- (b) (c) As mentioned above, we believe that reports other than on the general purpose financial statements do not fall under the authority of the IPSAS Board.

- **Specific Matter for Comment 6**

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and*
 - (b) In other GPFRs?*
- If not, how would you modify the description(s)?*

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

- (a) We have no comment on the description of the organisation of financial information.
- (b) As mentioned above, we believe that reports other than on the general purpose financial statements do not fall under the authority of the IPSAS Board.

- **Specific Matter for Comment 7**

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

As mentioned in our preliminary remarks, we are unable to approve the scope of this Exposure Draft and consider that its contents, which ought to cover financial statements only, have more in common with a guidance document than a conceptual framework.

FRENCH VERSION

La Direction générale des finances publiques remercie l'IPSAS Board de la publication de cet exposé sondage, ci-après l'ED-CF4. Si les précédentes phases du cadre conceptuel constituaient un réel intérêt souligné dans nos précédentes réponses, l'ED-CF4 présente un intérêt et une portée conceptuelle plus modérés. En effet, s'il est toujours intéressant pour le producteur des comptes de disposer de pistes pour améliorer la présentation de ses états financiers, nous considérons que les orientations opérationnelles présentées dans ce document relèvent davantage d'un guide d'application que du cadre conceptuel.

Par ailleurs, cette phase du cadre conceptuel couvre clairement des documents qui vont au-delà du périmètre des états financiers. Comme indiqué dans nos précédentes réponses, nous considérons que le champ de compétences de l'IPSAS Board relève de la seule normalisation comptable. Aussi, nous ne pouvons pas approuver le périmètre de cet exposé-sondage.

Compte tenu de ces remarques liminaires, nous proposons que le contenu de cet exposé-sondage fasse l'objet d'un guide pratique, et qu'il ne soit pas inséré dans le cadre conceptuel des normes internationales pour le secteur public.

Q 1 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

Dans ce cadre, les définitions relatives à la présentation des comptes, aux « displayed information » (informations clés pour comprendre les états financiers) et aux « disclosed information » (informations détaillées permettant de comprendre les « displayed information », comme les méthodes de calcul, des données chiffrées développées, ...) sont claires et n'appellent pas de compléments de notre part.

Q 2 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

Cette position nous amène donc à ne pas pouvoir approuver les commentaires du §1.9 qui ne relèvent pas du champ comptable.

Concernant les données comptables, nous partageons l'avis que leur sélection, leur situation et leur organisation doivent répondre aux besoins des utilisateurs des états financiers.

Q 3 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

Nous ne partageons pas l'approche proposée qui consisterait à développer l'information comptable dans des rapports distincts des états financiers, ce qui reviendrait à éparpiller les sources d'informations. En effet, les états financiers qui comprennent également les annexes sont là pour éclairer le lecteur des états financiers, qui doit y trouver l'ensemble des informations nécessaires à sa compréhension. Ainsi, si des événements ont eu des conséquences importantes sur les variations des états financiers, ces derniers doivent contenir toute l'information pour permettre au lecteur de les comprendre.

Les parties « faits marquants » et « événements postérieurs à la clôture des comptes » (IPSAS 14) contribuent de cette bonne information.

Q 4 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

(a) Nous sommes d'accord avec la description de l'information sélectionnée pour les états financiers ;

(b) Nous considérons que les autres rapports ne relèvent pas du champ de compétences de l'IPSAS Board.

Q 5 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

- (a) Nous considérons que toutes les informations nécessaires à la compréhension des états financiers doivent être recensées dans les états financiers et doivent être certifiables.
- (b) (c) Comme évoqué supra, les rapports autres que celui relatif aux états financiers (« General purpose financial statements ») n'entrent pas dans le périmètre de compétences de l'IPSAS Board.

Q 6 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.

- (a) Les descriptions de l'organisation de l'information financière n'appellent pas de commentaires de notre part.
- (b) Comme évoqué supra, les rapports autres que celui relatif aux états financiers (« General purpose financial statements ») n'entrent pas dans le périmètre de compétences de l'IPSAS Board.

Q 7 /

Comme évoqué dans nos propos liminaires, nous ne pouvons pas approuver le périmètre de cet exposé-sondage et nous considérons que son contenu, qui doit être limité aux seuls états financiers, relève d'un guide pratique plutôt que du cadre conceptuel.



Ms Stephenie Fox
Technical Director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
CANADA - Toronto, Ontario M5V 3H2

E-mail to: StephenieFox@ifac.org

30 July 2013

Ref.: PSC/AKI/TSI/SRO

Dear Ms Fox,

Re: IPSASB Exposure Draft 4: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

FEE (the Federation of European Accountants) is pleased to provide you below with its comments on IPSASB Exposure Draft 4: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports ("ED").

FEE strongly supports the Board's intention to finalise the Conceptual Framework with a high priority. This is particularly important since the development of the existing standards and many proposals for future standards depend on its finalisation.

We also support the Board's intention to maintain the alignment of IPSASs with IFRSs on matters which are common to both to private and public sectors. However, as rightly pointed out by the Board, the development of the *Conceptual Framework* should not be an IFRS convergence project.

We agree with the concepts that are set out in the ED for the presentation of information in the GPFRs. In particular:

- We agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1 (Specific Matter for Comment 1).
- We agree with the identification of three presentation decisions (selection, location and organisation) in section 1 (Specific Matter for Comment 2).
- We agree with the proposed approach to making presentation decisions in Section 1 (Specific Matter for Comment 3).
- We agree with the description of information selection in Section 2, both in the financial statements and in other GPFRs (Specific Matter for Comment 4).



- We agree with the description of information location in Section 3 (Specific Matter for Comment 5).
- We agree with the description of information organisation in Section 4 (Specific Matter for Comment 6).
- We consider that the ED contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities (Specific Matter for Comment 7). We particularly welcome the simplification of the concepts in the ED compared to the Consultation Paper, and the removal of the distinction between core and supporting information.

However, we would like to draw the Board's attention to the current trends of an increasing length and complexity of the financial statements taking place in the private sector. The information overload, particularly in the notes to the financial statements, has many times decreased the usefulness of the information, and obscured important and key disclosures from the eyes of the users.

Against the trend of ever more disclosures, there have been several attempts to address these issues whilst increasing the quality and focus of the information disclosed. For instance, the IASB has put the Conceptual Framework project back on the agenda and considers the development of a disclosure framework on its own. Therefore, we welcome the IPSASB's approach to information selection, which recognises that too much information may make it difficult for users to understand the overall situation, and undermine achievement of the objectives of financial reporting. We also encourage the IPSASB to review the disclosures in its existing standards in the light of this approach.

For further information on this letter, please contact Petra Weymueller, Senior Manager from the FEE Secretariat, on +32 2 285 40 75 or via e-mail at petra.weymuller@fee.be.

Yours sincerely,

A blue ink signature of André Killesse, consisting of a stylized 'A' and 'K'.

André Killesse
President

A blue ink signature of Olivier Boutellis-Taft, featuring a stylized 'B' and 'T'.

Olivier Boutellis-Taft
Chief Executive



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Date 1 August 2013
Our ref 081.mju.ipsasb-
ed4
Pages 1 of 6

Submitted electronically

Dear Ms Fox,

IPSASB Exposure Draft CF-ED4:
Conceptual Framework for General Purpose Financial Reporting
by Public Sector Entities: Presentation in General Purpose
Financial Reports

The Auditor General for Wales welcomes the opportunity to comment on this IPSASB Exposure Draft. This response has been prepared on behalf of the Auditor General by the Wales Audit Office.

The Auditor General, and the auditors he appoints, are responsible for audits of the Welsh devolved public sector, which includes:

- The Welsh Government;
- Welsh Government sponsored and other related bodies;
- Local government bodies in Wales;
- Local health bodies in Wales; and
- Certain publicly-owned companies.

We fully support IPSASB's aim to produce a conceptual framework covering general purpose financial reporting which will underpin the development of a comprehensive and high quality suite of financial reporting standards for the public sector.

We welcome the improvements made to the Exposure Draft compared to the Consultation Paper, in particular, the removal of some of the detail that was

Our reference: 081.mju.ipsasb-ed4

included in the preceding document and the increase in the depth of coverage relating specifically to financial statements.

We set out in **Appendix 1** our response to the specific matters for comment.

I hope that you find our submission useful. If you have any queries regarding our response, please contact my colleague Iolo Llewelyn (e-mail: iolo.llewelyn@wao.gov.uk or telephone: +44 (0)7766 505189).

Yours sincerely,

MIKE USHER
Group Director – Technical

Appendix 1: Response to Consultation Questions

Question	Response
<p>1. Do you agree with the proposed descriptions of “<i>presentation</i>”, “<i>display</i>” and “<i>disclosure</i>” and the relationships between them in section 1? If not, how would you modify them?</p>	<p>We agree with the proposed definition of ‘<i>presentation</i>’ in so far as ‘<i>presentation is the selection, location and organisation of information in GPFRs</i>’. We also agree with the final sentence of paragraph 1.2, that ‘<i>presentation aims to provide information....while taking into account the constraints.</i>’</p> <p>However, we remain of the opinion that using the words ‘<i>display</i>’ and ‘<i>disclosure</i>’ is not appropriate, particularly for financial statements. This is because both words have generally accepted meanings other than those that the Conceptual Framework seeks to attribute to them.</p> <p>We note, per Basis of Conclusions paragraph BC9, that IPSASB has now removed the terms ‘<i>core</i>’ and ‘<i>supporting</i>’, in order to avoid the implication that there could be a hierarchy of information, as there is no intention to create such a hierarchy. However, we consider that the words ‘<i>display</i>’ and ‘<i>disclosure</i>’ could still imply that information considered for ‘<i>display</i>’ is more important than that ‘<i>disclosed</i>’.</p> <p>It is clear in practice that the ED makes a qualitative distinction between information that is ‘<i>displayed</i>’ and that which is merely ‘<i>disclosed</i>’, with the former having a more enhanced status than the latter (see paragraphs 1.3-1.4, 3.8-3.10, 4.11 for examples of this).</p>

Question	Response
	<p>Our view is that the words ‘<i>core</i>’ and ‘<i>supporting</i>’ are in fact appropriate for use in both financial statements and GPFRs more widely. ‘<i>Core</i>’ could be replaced with ‘<i>primary</i>’ which (in our experience) is more frequently used to describe information on the face of financial statements.</p> <p>If such an approach is adopted, we consider that the Framework should explicitly state that ‘<i>core</i>’ (or ‘<i>primary</i>’) information is not necessarily more important than ‘<i>supporting</i>’ information, as the combination of both types of information contribute to meeting the overall aim of presentation as described in paragraph 1.2.</p>
<p>2(a). Do you agree with the identification of three presentation decisions (selection, location and organisation) in section 1? If not, how would you modify the identification of presentation decisions?</p>	<p>We agree with the identification of the three presentation decisions in section 1 (selection, location and organisation of information). (However, see also our response to Question 5.)</p>
<p>3. Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?</p>	<p>We agree with the proposed approach to making presentation decisions in Section 1.</p> <p>In particular, we consider that the level of detail included in this ED is more appropriate for a conceptual framework than the level of detail included in the Consultation Paper.</p> <p>The ED also helpfully avoids restating narrative that can be found in Chapter 1 of the Conceptual Framework relating to qualitative characteristics and constraints.</p>

Question	Response
Question	Response
<p>4. Do you agree with the description of information selection in Section 2: (a) In the financial statements; and (b) Within other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information selection in Section 2 for both financial statements and within other GPFRs.</p>
<p>5. Do you agree with the description of information location in Section 3: (a) In the financial statements; and (b) In other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information location in Section 3 for both financial statements and within other GPFRs.</p> <p>However, please see our comments in question 1 above where we consider that '<i>display</i>' and '<i>disclose</i>' should be replaced with '<i>core</i>' (or '<i>primary</i>') and '<i>supporting</i>' information.</p> <p>It is also arguable that '<i>information location</i>' is a sub set of '<i>information organization</i>'. IPSASB should therefore consider combining these sections.</p>
<p>6Do you agree with the description of information organisation in Section 4: (a) In the financial statements; and (b)In other GPFRs?</p> <p>If not, how would you modify the descriptions?</p>	<p>We agree with the description of information organisation in Section 4 for both financial statements and within other GPFRs.</p> <p>However, please see our comments in question 1 above where we consider that '<i>display</i>' and '<i>disclose</i>' should be replaced with '<i>core</i>' (or '<i>primary</i>') and '<i>supporting</i>' information.</p>

Question	Response
7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?	<p>We strongly agree with IPSASB's view highlighted in paragraphs BC22 and 23 that specification of financial statements is a standards-level issue and therefore the Framework should avoid over-specification.</p> <p>We consider therefore that the ED has the appropriate level of detail required for a Conceptual Framework and, by avoiding including too much detail, is 'future-proofed' against changes in reporting.</p>

ENDS



August 2, 2013

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 CANADA

Re: Exposure Draft “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports”

We recognize the challenges of developing a Presentation framework for general purpose financial reports (GPFRs) and appreciate the opportunity to participate in the discussion of this important topic. Please note that these are views of staff and do not represent the views of the Public Sector Accounting Board.

Overall, we welcome some of the changes made in the Exposure Draft (ED) from the Consultation Paper, including removal of repetitive descriptions of Phase 1 concepts and a cleaner structure based on the three presentation decisions. However, guidance for GPFRs that are not general purpose financial statements (GPFs) remain insufficient.

While we agree with many of the conclusions in the Basis for Conclusions, they are not obvious from the reading of the ED. We would ask you to consider:

- the logical flow of the material;
- the linkages among the concepts and ideas; and
- the placement of guidance, for example, display and disclosure information are described under Section 4: Information Organization but not under Section 2: Information Selection.

Our suggestions for modification to the Presentation framework are described in the attached responses to the Specific Matters for Comment (SMC) in the Appendix of this letter. They include:

- **A simplified and self-contained description of presentation.**
Suggested description is included in our response to SMC1.
- **A structure for the Presentation framework with separate sections to address agenda setting decisions, standard setting decisions and GPFR preparation decisions.** The agenda setting decisions would include the high level decisions described in the ED as well as selecting

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specific objective of financial reporting and user information needs to be addressed in a GPFR project. As the role of the Conceptual Framework includes providing guidance for development of IPSASB pronouncements and for preparation of GPFRs by public sector entities in areas not addressed by IPSASB, we suggest breaking down the lower level decisions described in the ED into standard setting and GPFR preparation decisions. Suggested descriptions of the decisions and related guidance are included in our responses to SMC3 and SMC4.

- **Applying the concept of core and supporting information to information selection decisions in standard setting.** We support IPSASB's decision to focus the display and disclosure distinction on the types of information (as described in the Basis for Conclusions) that would be presented at a summarized level and at a more detailed level respectively, and not mixing it with the location and organization of information. In our view, underlying the display and disclosure distinction is the concept of core and supporting information. This is a key concept for information selection decisions in standard setting. We believe that this concept can be better explained without the terms "display" and "disclosure" as their descriptions has caused unnecessary complication and confusion in the ED. Suggested descriptions of core and supporting information and related guidance are included in our response to SMC4.
- **Removing information location as a separate category of presentation decisions.** A closer look at the guidance in Section 3: Information Location indicated that there is very limited guidance that is relevant to information location decisions in GPFRs. Such guidance can be easily and logically incorporated into the discussion of core and supporting information. See more discussion and rationale in our responses to SMC2 and SMC5.
- **Expanding guidance for information organization decisions to include guidance for effective communication of information for maximum understandability, and identification of trade-offs between certain communication principles and qualitative characteristics in information organization decisions.** The most relevant Phase 1 concepts for information organization decisions are relevance and understandability. The purpose of information organization is effective communication to users. Information organization decisions often involve balancing well-intention and sometimes conflicting communication principles and/or qualitative characteristics. Preparers of GPFRs should be aware of these trade-offs

in their information organization decisions. Examples of relevant communication principles and trade-offs in information organization decisions are identified in our response to SMC6.

- **Clarifying what a GPFR report may mean with consideration of the integrated reporting concept.** The Presentation framework should note that each GPFR pronouncement does not necessary require preparation of a separate GPFR report. It is because under the concept of integrated reporting, a single report can contain multiple components with each covers a specific GPFR information area. Whether different GPFRs should be issued for different subject matters or a single report that covers multiple topics be issued should be a decision of the preparers. The importance is that each component addresses a particular objective of financial reporting in a specific information area that meets certain information needs of users. See more discussions in our response to SMC3.
- **Requiring preamble information to be included in each GPFR.** As a GPFR can contain multiple GPFR subject matters, there is a need for the Presentation framework to specify some basic information that should be included as preamble in each GPFR or each GPFR component. Examples include the purpose, scope, limitation and the reporting entity covered. See descriptions of the examples in our response to SMC3.

We thank you for the opportunity to comment and wish IPSASB success in this and other components of the Conceptual Framework project.

Sincerely,



Lydia P. So

APPENDIX RESPONSES TO SPECIFIC MATTERS FOR COMMENT EXPOSURE DRAFT PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Presentation

We suggest that the description of presentation be modified by:

- Combining the two sentences in paragraph 1.2 that contain the ideas of what presentation is and what presentation should do into a single sentence to give the description a more complete meaning.
- Eliminating the reference to a footnote to make the description more understandable and sufficient on its own. This can be achieved by dropping the term “constraints” and stating the two specific constraints as “constraints” can be interpreted generally by others if there is no specific reference. Listing the “qualitative characteristics” is not needed as this term can be easily related to the title of Chapter 3 of the Conceptual Framework.
- Simplifying the description to make it more concise by removing the phrase “displayed and disclosed” as it is unnecessary for a complete meaning of presentation.

Our suggested description is:

“Presentation is the selection, placement and organization of information in GPFRs in a way that achieves the objectives of financial reporting and the qualitative characteristics of financial information while taking into account materiality and cost benefit considerations.”

Display and disclosure

Paragraph BC9 states that “the descriptions of display and disclosure have been revised to explain what types of information would be displayed and what disclosed.” We support IPSASB’s decision to focus the display and disclosure distinction on the types of information that would be presented at a summarized level and at a more detailed level respectively, and not mixing it with the location and organization of information.

In our view, underlying the display and disclosure distinction is the concept of core and supporting information. This is a key concept for information selection decisions and should be discussed under Section 2: Information Selection. We believe that this concept can be better explained without the terms “display” and “disclosure” as their descriptions has caused unnecessary complication and confusion in the ED. For example, the descriptions of display and disclosure in Section 1 do not focus on the “what types of information” as stated in paragraph BC9. While the description of disclosure in paragraph 1.4 only addresses the types of information, the description of display in paragraph 1.3 also includes how and where information should be presented.

Some descriptions of display and disclosure in Section 1 are based on the statements and notes distinction in GPFs. They do not fit other GPFs. For example, the references to “an element definition” and “the basis for displayed information such as applicable policies” in paragraph 1.4, and the idea of “disclosure is not a substitute for display” in paragraph 1.5 are GPFs oriented.

Also, the discussion under “Criteria for Display and Disclosure” in paragraphs 1.5 to 1.7 does not provide any criteria or guidance to distinguish display and disclosure. For example, the “classification principles” in paragraph 1.6(a) are not identified or further explained how they would help identify information for display and disclosure. Paragraph 1.6(b) and (c) simply state that lists of what should be displayed and what should be disclosed should be developed without indicating what considerations should be taken into account in developing the lists.

Paragraph BC9 states that “Coverage in subsequent sections provides additional guidance on the distinction between display and disclosure as it applies to the three decisions.” However, neither the concept of display and disclosure nor their distinction is addressed in Section 2: Information Selection though the two terms are supposed to explain what types of information should be presented in GPFs, that is, to deal with information selection decisions.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

The three presentation decisions identified in the ED seem logical as they address what, where and how information should be presented in GPFs. However, a closer look at the guidance in “Section 3: Information Location” indicates that a separate category of information location decision in the Presentation framework is unnecessary. It is because Section 3 essentially contains just one piece of guidance on information location, that is, summarized information or information displayed should be presented prominently and separately from disclosed information. Other guidance in Section 3 either relates to information organization decisions or other presentation considerations. This information location guidance can be easily and logically incorporated into the discussion of information selection or information organization decisions.

Information location may be more relevant for GPFs than for other GPFs as their structure (i.e., statements and notes) is well defined. However, as there are specific criteria to determine what should be recognized in the statements, there is little room for information location decisions in GPFs. Any specific guidance on whether information should be presented in statements or notes would be more appropriate to be included in a GPFs standard (one that would also specify the specific statements to be included in GPFs as discussed in paragraph BC 22). This approach would make the Presentation framework more understandable as it would apply to all GPFs. It will also avoid duplication of GPFs materials in the Conceptual Framework and a GPFs standard.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

While we support the general approach of applying Phase 1 concepts to a presentation framework, we suggest modifying the approach described in paragraphs 1.9 and 1.10 by:

- Combining the ideas in paragraph 1.9 and the high level decisions in paragraph 1.10 and labelling them as **agenda setting decisions** as these are decisions which IPSASB would make in setting its technical agenda. Agenda setting involves determining which specific objective of financial reporting and particular unmet information need of users to develop guidance on, as well as whether the guidance should be provided in a new pronouncement or an expanded existing pronouncement.
- Breaking down the lower level decisions in paragraph 1.10 into **standard development decisions** and **GPFR preparation decisions**. As stated in Chapter 1 of the Conceptual Framework, its role includes providing guidance for development of IPSASB pronouncements and for preparation of GPFRs by public sector entities in areas not addressed by IPSASB. The Presentation framework should therefore provide guidance for standard development and GPFR preparation decisions.

A Presentation framework that better reflects this approach would have separate sections for “Agenda Setting Decisions”, “Standard Development Decisions” and “GPFR Preparation Decisions”. This is a preferred structure for this approach compared to the current one with separate sections for the three presentation decisions of information selection, information location and information organization. It is because agenda setting usually does not involve information selection, location and organization decisions. Guidance on agenda setting decisions would not fit under the current presentation decisions structure.

Suggested materials to cover under “Agenda Setting Decisions”

Decisions at agenda setting involve:

- Reviewing the **objectives of financial reporting** and the **information needs of users** in Chapter 2 of the Conceptual Framework to identify any unmet information needs of users of GPFRs for accountability and decision-making purposes.
- Evaluating each unmet information needs to select a particular information area to develop guidance based on IPSASB’s agenda setting criteria, together with consideration of **importance, relevancy and materiality** of each information area to the assessment of accountability and decision-making by users.
- Developing a project brief that describes the selected information area, the particular objective of financial reporting and the specific information needs to be addressed by the project. These will be the key criteria, among others, for information selection decisions in standard development and GPFR preparation.

- Determining whether the guidance should be provided in a new pronouncement or in an expanded existing pronouncement. This decision is required only if the specific information area addressed in the project is related to a subject matter already addressed in existing GPFR pronouncements. Factors to consider in this decision include the **benefits** of addressing a broader user need in a GPFR, the **understandability** of an expanded GPFR, the **completeness** of information currently available to meet **users' need** for the particular **objective of accountability and decision-making** in that subject matter.

The Presentation framework should note that each GPFR pronouncement issued by IPSASB does not necessarily require preparation of a separate report. It is because under the concept of integrated reporting, a single report can contain multiple components with each covers a specific GPFR information area. For example, a report can have a component of GPFs, a component of Financial Statement Discussion and Analysis and a component of Long-term Fiscal Sustainability. Whether different GPFRs should be issued for different subject matters or a single report that covers multiple topics be issued should be a decision of the preparers. The importance is that each component addresses a particular objective of financial reporting in a specific information area that meets certain information needs of users. It is therefore important that each component or GPFR includes:

- A description of its specific purpose (the particular objective of financial reporting) and the specific information needs of users that it aims to satisfy as well as its limitations for other related purposes (where applicable).
- A description of the boundary of the reporting entity covered in the GPFR/component, compared with the boundary of reporting entity covered in other components of the same report or other GPFRs issued by the same public sector entity (whichever applicable). An explanation of why the boundary in that component/GPFR is different, if any, from other components/GPFRs should be provided.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description(s)?

Note that we suggest a structure of the Presentation framework with separate sections for agenda setting decisions, standard development decisions and GPFR preparation decisions in the above response to SMC3. However, if the current presentation decisions structure is to be maintained, we suggest modifying the approach of Section 2 to address information selection decisions in standard development and GPFR preparation with the core and supporting information concept (underlying the display and disclosure description in Section 1).

Sub-section “Information in Financial Statements and Other GPFRs” in the ED can be removed as it does not provide specific guidance for information selection decisions. Since what information should be presented in the financial statements is determined by the definitions of elements of financial statements and their recognition criteria, there is little need for information selection decisions for the statements. The descriptions under sub-section “financial statements” which primarily identify specific user needs that can be met in financial statements (not address information selection decisions) would fit better in a GPFSs standard than a Presentation framework that applies to all GPFRs.

As the role of the Conceptual Framework includes providing guidance for development of IPSASB pronouncements and for preparation of GPFRs by public sector entities in areas not addressed by IPSASB, the Presentation framework should provide guidance for standard development and GPFR preparation decisions. These two levels of decisions, together with the agenda setting decisions suggested in the above response to SMC3, should replace the high level and lower level decisions described in paragraph 2.2. Relevant concepts under sub-section “Selection Decisions for Detailed Information within a GPFR” and other applicable Phase 1 concepts should be included in the discussion of specific information selection decisions in standard development and GPFR preparation.

Suggested materials to cover under “Core and Supporting Information”

A GPFR should contain core information that is essential to meeting user needs for the particular accountability assessment and decision-making objective in the specific information area identified in the project brief.

Core information includes key information and/or indicators that are relevant to the subject matter and would make a difference in users’ assessment and decision. It also includes key measures that faithfully represent the key indicators. Each piece of key information or indicator may not be sufficient of itself for the purpose of the particular assessment or decision. All key information and/or indicators that together provides a complete and balance set of information for the purpose of the particular GPFR form the core information.

A GPFR should also provide supporting information that explains, describes and elaborates the core information to make them more understandable and useful, and information that puts the core information in perspectives.

Depending on the nature of and the subject matter covered in a GPFR, and the specific key information, indicators and measures selected, supporting information may include definitions, accounting and operating policies, methodologies, major assumptions, risks and uncertainties, recognition criteria, historical trend, other relevant known facts, economic environment, contractual obligations, contingencies, sensitivity analysis, etc..

Suggested materials to cover under “Information Selection Decisions in Standard Development”

Most information selection decisions in standard development relate to identification of specific core information that should be prescribed, suggested or permitted in a particular GPFR. The types or nature of supporting information required to be provided in a GPFR should follow logically from the

key information, indicators and measures chosen. There is not much room for decision or need for judgment.

Identification of core information involves:

- Identifying the different aspects of a complete and balance assessment of accountability on the subject matter or the different factors a user needs to consider in making a particular decision in the subject matter addressed in a GPFR pronouncement.
- Evaluating the importance of each identified aspect or factor to the users' assessment and decision to select a complete and balance set of core information that is essential for users' assessment and decision in that particular subject matter to be the prescribed key information or indicators.
- Reviewing the remaining list to identify any information about the subject matter that may be suggested (but not required) in the standard considering the incremental benefits to users and additional costs to preparers.
- Determining if any substitute of the key information/indicators should be allowed considering the need for comparability and the benefit of permitting flexibility to reflect the entity/jurisdiction specific circumstances in that subject matter. Identifying possible substitutes and developing guidance on when a substitute is allowed.
- Identifying possible measures of each key indicator that faithfully represent them.
- Evaluating and selecting a key measure for each key indicator based on their supportability, comparability, costs, availability and timeliness of the required input/data.
- Determining if any substitute measure should be allowed based on the suitability of other measures and the need for comparability. Identifying the acceptable measure(s) and developing guidance on when an alternative measure is allowed.

Suggested materials to cover under "Information Selection Decisions in GPFR Preparation"

Most information selection decisions in GPFR preparation relate to identification of relevant and sufficient supporting information about the key information, indicators and measures to enable effective accountability assessment and decision-making by users.

There is relatively little need for selecting core information for GPFRs by public sector entities as they should be prescribed in the GPFR pronouncement. In areas where substitute key information/indicator and alternative key measure are permitted, a public sector entity would follow the guidance provided in the pronouncement.

If a public sector entity chooses to prepare a GPFR in an information area not addressed in IPSASB pronouncements, it should follow the guidance for identification of core information in standard development in preparation of that GPFR.

In selecting supporting information, a public sector entity would:

- Identify all relevant information that explains, describes and provides the context for each key information, indicators and measures.
- Evaluate and select supporting information from the identified list based on their **necessity and significance** for users to understand and properly interpret the core information, and to use the core information to make effective assessment and decision.

A public sector entity that prepares a GPFR has the ultimate responsibility for ensuring information provided in the GPFR fairly reflects its own circumstances and operating environment. It should ensure that the core and supporting information together provide adequate relevant and useful information to users for the intended purpose of the GPFR.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

(a) In the financial statements;

(b) In other GPFRs; and,

(c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Note that we suggest a structure of the Presentation framework with separate sections for agenda setting decisions, standard development decisions and GPFR preparation decisions in the above response to SMC3. Even if the current presentation decisions structure is to be maintained, it is our view that the Presentation framework does not need a separate category of presentation decision to address information location decisions (as discussed in the above response to SMC2). It is because a closer look at the guidance in Section 3 indicates that there is very limited guidance that is relevant to information location decisions in GPFRs. The only information location guidance provided in Section 3 under sub-section "Location of Information within a Report" is that information displayed should be presented prominently and separately from disclosed information. This guidance can be easily and logically incorporated into the discussion of information selection of information organization decisions.

Sub-section "Allocation of Information between Different Reports" in Section 3 can be removed because it does not address information location decisions but information organization decisions and agenda setting decisions. There are also problematic descriptions about information location in the introductory paragraphs 3.1 and 3.2, for example, we do not agree that "location has an impact on information's relevance, verifiability, ... faithful representation ..." or that "location may be used to ... (b) convey the nature of information ...".

Information location may be more relevant for GPFs as their structure (i.e., statements and notes) is well defined. However, as there are specific criteria to determine what should be recognized in the statements, there is little room for information location decisions in GPFs. Any specific guidance on

whether information should be presented in statements or notes would be more appropriate to be included in a GPFSs standard.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

(a) In the financial statements; and

(b) In other GPFRs?

If not, how would you modify the description(s)?

The discussion and structure in Section 4 focuses on the objective of making “clear important relationships between items” (as identified in paragraph 4.2). We believe that information organizations involve more important considerations than just addressing relationships among information and reports. Some discussions under sub-section “Organization of Information within the Financial Statements” do not address information organization decisions but information selection decisions, for example, paragraphs 4.12 and 4.13.

We suggest a structure of the Presentation framework with separate sections for agenda setting decisions, standard development decisions and GPFR preparation decisions in the above response to SMC3. Most information organization decisions are made in the preparation of GPFR by public sector entities. If the current three presentation decisions structure is to be maintained, we suggest modifying the relationship oriented approach of Section 4 to one that provides guidance for effective communication of information for maximum understandability and identifies and discusses the trade-offs between certain communication principles and/or qualitative characteristics in information organization decisions.

The most relevant Phase 1 concepts for information organization decisions are relevance and understandability. The purpose of information organization is effective communication to users. The presentation framework should provide guidance for effective communication of information for maximum understandability. Information organization decisions often involve balancing well-intention and sometimes conflicting communication principles and/or qualitative characteristics. The presentation framework should identify these possible trade-offs for preparers to consider in their information organization decisions.

Examples of relevant communication principles or presentation techniques that enhance understanding of relevant information to be further elaborated and explained in the Presentation framework include:

- use of plain language, concise description in narratives;
- appropriate aggregation and disaggregation of quantitative information;
- cross referencing to link related information;
- organize information together to provide proper context;

- use of graphs and charts with narratives, to present historical trend and comparatives;
- organize information in the order of their importance and significance;
- ensure the volume of materials covered is in proportion to their relative significance; and
- avoid duplication.

Examples of trade-off in information organization decisions to be further elaborated and explained in the Presentation framework include:

- balance between conciseness and over simplification;
- balance between providing complete information and information overload;
- balance between aggregation and disaggregation;
- balance between providing proper context and duplication of information;
- balance between cross-referencing and understandability/readability; and
- balance between comparability and understandability/relevance.

Specific Matter for Comment 7

Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

For materials that are addressed in the ED, there is insufficient detail guidance for:

- presentation decisions for non-GPFS GPFRs (other GPFRs);
- high level decisions;
- identification of display and disclosure information; and
- information organization decisions.

In addition, a Presentation framework should also address the following:

- guidance for development of IPSASB pronouncements; and
- preamble information that should be presented in each GPFR.

Our suggestions in these areas are described in the above responses to the SMCs. Most suggestions would result in expanding the guidance for presentation decisions applicable to other GPFRs.

High-level decisions

As suggested in response to SMC3, high level decisions are part of the decisions involved in agenda setting. Determining whether the guidance should be provided in a new pronouncement or in an expanded existing pronouncement is required only if the specific information area addressed in a

GPFR project is related to a subject matter already addressed in existing GPFR pronouncements. Factors to consider in these decisions include the benefits of addressing a broader user need in a GPFR, the understandability of an expanded GPFR, the completeness of information currently available to meet users' need for the particular objective of accountability and decision-making in that subject matter.

Identification of display and disclosure information

As suggested in the above response to SMC1, underlying display and disclosure information is the concept of core and supporting information. We believe that this concept can be better explained without the terms "display" and "disclosure" as their descriptions has caused unnecessary complication and confusion in the ED. Suggested materials to describe and expand on the identification of core and supporting information are provided in the above response to SMC4.

Information organization decisions

As indicated in the above response to SMC6, the information organization decisions guidance in the ED only addresses linking important relationships among information. Suggested materials to expand the guidance are provide in the response to SMC6 which include communication principles for maximum understandability of relevant information and identification of trade-offs between certain communication principles and/or qualitative characteristics in information organization decisions.

Guidance for development of GPFR pronouncements

The above response to SMC3 suggested breaking the lower level decisions in the ED into standard development decisions and GPFR preparation decisions as these are roles of the Conceptual Framework. Suggested materials for information selection decisions in standard development are provided in the above response to SMC4.

Preamble information in each GPFR

As suggested in the above response to SMC3 that a GPFR can contain multiple GPFR subject matters, there is a need for the Presentation framework to specify some basic information that should be included as preamble in each GPFR or each GPFR component. Examples include the purpose, scope, limitation and the reporting entity covered. Suggested information to be included in the preamble of each GPFR is provided in the response to SMC3.



The Technical Director
International Public Sector Accounting Standards Board
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6 August 2013

Dear Stephenie,

**COMMENTS ON PHASE 4 OF THE IPSASB'S CONCEPTUAL FRAMEWORK PROJECT:
PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS**

We welcome the opportunity to provide comments on Phase 4 of the IPSASB's conceptual framework project. Overall, we are supportive of the project as we believe it makes significant strides in strengthening transparency and accountability in public sector financial reporting. We appreciate that this is a new and developing area and would like to commend the IPSASB for developing guidance in this area.

Our responses to the specific matters for comment are outlined in Annexure A of this letter.

This comment letter has been prepared by the Secretariat of the ASB and does not reflect the views of the ASB Board. In formulating the comments outlined in this letter, the Secretariat has undertaken a limited consultation with its constituents in the South African public sector. This limited consultation included auditors and those involved in the preparation of financial statements.

Please feel free to contact me should you require clarification on any of our comments.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Erna Swart', is positioned to the left of the typed name.

Erna Swart, Chief Executive Officer

Board Members: Mr V Jack (Chairperson), Ms T Coetzer, Mr B Colyvas, Ms CJ Kujenga,
Mr K Kumar, Mr K Makwetu, Mr G Paul, Ms N Ranchod, Ms R Rasikhinya,
Alternates: Ms L Bodewig, Mr J Van Schalkwyk
Chief Executive Officer: Ms E Swart

ANNEXURE A – RESPONSES TO SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display” and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Response

“Descriptions” of presentation, display and disclosure – paragraphs 1.2 to 1.4

We have three high level issues with the terms/descriptions set out in the Exposure Draft:

1. Paragraph 1.1 notes that: “This section establishes presentation related terms and identifies three presentation decisions” [own emphasis added]. These “descriptions” or “terms” should rather be developed as “concepts” or “principles” underlying the presentation of information. As the approach to presentation is embedded firmly within these three terms, it would be more appropriate for these to be identified as “principles” or “concepts” rather than being described as just “terms”. The use of the word “term” does not denote the significance of these issues in decisions about the presentation of information in GPFRs. As a result, the structure and wording of some of the descriptions, in particular “display” needs to be amended. Our suggestion is outlined below.
2. The terms “display” and “disclosure” should have clear links or references to the objective of financial reporting. Without this link, the presentation objectives have no meaning and context. Linking these definitions with financial reporting objectives also creates a better link with the description of “presentation”.
3. We are concerned about the way in which disclosed information is described. At present, disclosed information is described as follows: “Disclosed information makes displayed information more useful, by providing detail that will help users to understand displayed information, including....”. This could be read as implying that no information is disclosed if there is no displayed information. While disclosed information does make displayed information more useful, it cannot be the only characteristic of disclosed information. Disclosed information should broadly contribute towards the objectives of financial reporting.

Specific comments on terms “presentation”, “display” and “disclosure”

Based on our proposal to describe “presentation”, “display” and “disclosure”, amendments are required to the wording of these descriptions to ensure that a clear principle/concept is articulated.

Presentation: We agree with the proposed description as it outlines both the key principle underlying presentation (i.e. provide information that contributes towards the objectives of financial reporting and achieves the QCs and constraints), as well as the approach that is applied (i.e. through the selection, organization and location of information). We do not believe any amendments are required to this definition.

Display: The description of display could be enhanced. The description should clearly outline what the objective of display is, and then the characteristics of displayed information. We propose wording such as: “Displayed information communicates key messages to users that contribute towards the objectives of financial reporting and achieving the QCs and constraints. Displayed information is presented prominently, is kept to a concise and understandable level, and should not include excess detail which may obscure key messages.” The last sentence of paragraph 1.3 is too detailed for the description of “display” and we would propose deleting it.

Disclosure: Based on our comments above, we do not agree with the proposed description of “disclosure”. As presently described, disclosed information is seen as only making displayed information more useful. We propose that the description of disclosed information should be amended

to make it clear that disclosed information should broadly contribute to the objectives of financial reporting.

“Criteria for display and disclosure” – paragraphs 1.5 and 1.6

We do not believe that this heading appropriately reflects the discussion in paragraph 1.5 and 1.6. Paragraphs 1.5 and 1.6 do not outline “criteria” for information that is displayed and disclosed. As noted above, these “criteria” should be embedded within the concepts or principles developed for display and disclosure. With the exception of the last sentence of paragraph 1.5, this section outlines the application of display and disclosure rather than the criteria for deciding when to display or disclose information.

Paragraph 1.5 indicates that information is either displayed or disclosed. We do not support this statement. For example, a single line item of aggregated information may be displayed on the face of a financial statement, while the detail of that line item may be disclosed in the notes. As a consequence, we do not believe that display or disclosure of information is a binary decision as suggested, and propose deleting the first sentence of paragraph 1.5.

If the first sentence of paragraph 1.5 is deleted, the second sentence of 1.6 could be combined with the description of “disclosure”.

Paragraph 1.6 describes the application of display and disclosure decisions to financial statements and other GPFs. We are of the view that this discussion would be better located in the section “Location of information within a Report” (paragraphs 3.8 to 3.10).

The focus of paragraph 1.6(c) should not be on list of specific information that preparers must display and disclosure, but rather what information must be displayed and disclosed to meet users’ information needs.

“Presentation decisions” (paragraphs 1.8 to 1.10)

The second sentence of paragraph 1.8 states the following: “They seek to achieve the financial reporting objectives...” The use of the word “They” makes it difficult to identify the subject of the sentence – is it the presentation decisions or the financial reporting objectives? “They” should be replaced with “Such decisions....”.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the presentation decisions?

Response

We agree with the three presentation decisions as they answer the questions, “What information should be presented”, “Where should the information be located” and “How the information should be organised.”

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Response

We agree with the proposed approach as it describes the objective of presentation (i.e. to contribute towards the objectives of financial reporting, the qualitative characteristics and the constraints), as well as the decisions required when presenting information (i.e. selection, location and organisation).

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and*
- (b) Within other GPFRs?*

If not, how would you modify it?

Response

Overall, we are supportive of the principles for both financial statements and other GPFRs. We do however have a number of observations on the text in paragraphs 2.1 to 2.10.

- (a) Description of information selection “in the financial statements”*

Paragraph 2.2 (last sentence) notes the following: “This section focuses on the selection of detailed information to be developed and presented in GPFRs, including financial statements and other reports”. It is unclear what the purpose is of this statement? Paragraphs 2.3-2.5 describe information selection between GPFRs and other information, while paragraphs 2.6 to 2.10 outline the selection of information within a report. As such, it seems that both the high level and lower level decisions are discussed making it unclear what the “detailed information to be developed and presented in GPFRs” refers to paragraph 2.2.

- (b) Description of information selection “within other GPFRs”*

Paragraphs 2.6 and 2.7 relate more to the organisation of information than the selection of information. For example, the second sentence of paragraph 2.6 which refers to “Information selection avoids information overload which reduces understandability” is primarily a matter of how information is organised, including decisions about what should be displayed and disclosed. The primary decision in the selection of information is to ensure that relevant information is selected to meet the objectives of financial reporting.

While relevance is critical in deciding what information should be selected for presentation, the information selection process should also take cognisance of the other qualitative characteristics, in particular, those that indicate the quality of the information. For example, verifiability and representational faithfulness may need to be considered in conjunction with relevance. (Note: while the last sentence of paragraph 2.8 does mention representational faithfulness, it is in the context of substance over form and not a general point related to the process of selecting information. We envisage a much broader consideration of the other QCs).

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3?

- (a) In the financial statements;*
- (b) In other GPFRs; and,*
- (c) Between different reports within GPFRs?*

If not, how would you modify them?

Response

Overall, we are supportive of the principles for the financial statements, other GPFRs or between different reports within GPFRs. We do however have a number of observations on the text in paragraphs 3.2 to 3.7.

(a) Description of information “in the financial statements”

Paragraph 3.3

Paragraph 3.3 notes that a number of factors need to be considered when locating information in the financial statements or another GPFR. In reading these criteria, we considered that (a) and (b) could be stated more generally as factors that would be considered when “grouping” information into different reports, rather than describing factors when information will be added to a new or existing report. For example, part (a) “linkage” refers to “whether or not the additional information envisaged needs to link very closely to information already included in an existing reporting” [own emphasis added]. We are of the view that to make this more useful, the reference to an “existing report” should be deleted. In our deliberations, we were of the view that linking specific information together and assessing the nature of certain information were useful in deciding how and where specific information should be grouped and reported. We are of the view that the linkages between all information should be assessed, not only linkages between new and existing information and would propose re-wording (a) and (b) to make this clear.

Paragraph 3.3(c) notes that jurisdiction specific requirements should be considered in deciding where information should be presented. While it may be accurate that jurisdictional requirements may prescribe where information should be reported, these jurisdictional requirements might not be consistent with the principles in the Conceptual Framework or pronouncements issued by the IPSASB. For example, if jurisdictional requirements prescribe that contingencies should be presented outside the financial statements, then this requirement is clearly inconsistent with the concepts in IPSASs.

(b) Allocation of information to the financial statements

Paragraph 3.5

The third and fourth sentences of paragraph 3.5 state the following: “The display of line items and aggregate totals involves factors such as balancing standardization to ensure that particular information necessary to meet the objectives of financial reporting is available for all entities, and consideration of entity specific factors. Materiality is an important factor for preparers when making certain types of display decisions.”

The first sentence deals with the organisation of information and should be relocated to section 4. We also propose rewording the sentence as follows to make it more understandable: “The display of line items and aggregate totals involves ~~factors such as~~ balancing standardization, to ensure that particular information necessary to meet the objectives of financial reporting is available for all entities, while still allowing information to be displayed in a manner that reflects the nature and operations of specific entities. ~~and consideration of entity specific factors~~”.

The last sentence deals with display and disclosure and should be relocated to the section “Location of information within a Report” in paragraphs 3.8 to 3.10.

Paragraph 3.6

This paragraph states that: “The notes to the financial statements disclose information that supports the information displayed on the face of the statements” [own emphasis added]. This statement is inconsistent with the earlier description of disclosed information which indicated that disclosed information makes displayed information more useful. The reference to “support” seems to imply a relative importance of disclosed information in relation to displayed information. The last sentence of paragraph 3.9 also refers to “supporting” information. This should also be revised.

Paragraph 3.10

The last sentence refers to “presentations technique”. These are not described or explained in sufficient detail in the ED for any reference to them to be useful. We propose deleting any reference to them.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4?

(a) In the financial statements;

(b) In other GPFRs; and,

If not, how would you modify them?

Response

Introductory paragraphs

Paragraph 4.2 explains that “Information organization in GPFRs aims to make clear important relationships between items.” While this is one of the aspects information organisation aims to achieve, we are of the view that the discussions in paragraphs 4.14 to 4.16 better describe the objectives of information organisation. We propose relocating these paragraphs to the beginning of this section.

Types of relationships

Paragraph 4.5, states the following: “Information in one place in a GPFR may be enhanced though information provided elsewhere. For example, budget, prospective and service performance information enhances information in the financial statements”. While the example does illustrate how information in other GPFRs enhances the financial statements, it is unclear how the example contributes to the discussion on organisation. The example could be improved by making it clear that such information might be cross-referenced or somehow linked.

Description of information in (a) the financial statements

Paragraph 4.8

The last sentence of paragraph 4.8 makes a statement that information displayed on the face of a statement will always be organised into numeric totals. So as to not preclude the nature of any statements that might be included within the financial statements in future, we propose deleting this sentence.

Paragraph 4.10

Paragraph 4.10 states the following: “Following identification of elements and application of recognition criteria, display involves further decisions on....”

Not all statements in the financial statements report on elements, for example, cash flows. We suggest that the sentence be adjusted accordingly.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Response

Apart from the comments raised in specific sections and specific matters for comment, the concepts are appropriate and sufficient.

IPSASB Conceptual Framework Exposure Draft Phase 4 —
Presentation in General Purpose Financial Reports

response to exposure draft

08 August 2013

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 130808 SC0200

Stephenie Fox
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International Public Sector Accounting Standards Board
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Submitted electronically

August 2013

Dear Stephenie Fox

IPSASB Conceptual Framework Exposure Draft Phase 4 –*Presentation in General Purpose Financial Reports*

CIPFA is pleased to present its response to this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

As noted in successive responses, CIPFA strongly supports IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs. A key element of this is the development of a public sector Conceptual Framework, which will aid both IFRS converged development and freestanding development of standards on public sector matters.

Response to specific questions

Comments on the specific matters for comment are provided in the attached Annex A. These all support the substance and content of the exposure draft.

Overall we found the drafting of the ED clearer than the previous Consultation Paper, although it would also be helpful if the draft Standard is reviewed for consistency and clarity, after making any amendments arising from comments on the ED. Some minor drafting comments are provided at Annex B.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours faithfully

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ANNEX A

Specific Matters for Comment

CIPFA responses to the Specific Matters on which IPSASB would particularly value comment are set out below

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

CIPFA agrees with the proposed descriptions.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

CIPFA agrees with the identification of three presentation decisions.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

CIPFA agrees with the proposed approach to making presentation decisions.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information selection in Section 2, both as they apply to GPFS and other GPFRs.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information location

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

CIPFA agrees with the descriptions of information organization.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

CIPFA considers that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs.

ANNEX B

Drafting comments and suggestions

1 Comment on Para 1.3

This paragraph explains that displayed information ... *is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables or graphs.*

Borders, tables and graphs are not presentation techniques. They are more in the nature of design elements or information presentation templates. A possible reformulation would be:

Displayed information is presented prominently, using appropriate document structure and design elements, including clear labels, use of borders and other graphical separators, tables or graphs.

2 Comment on Para 1.8

This paragraph explains that ... *decisions on the selection, location and organization of information are made in response to the needs of users for information about economic or other phenomena.*

However, standard setters such as IPSASB cannot guarantee that they have correctly assessed the more general needs of users. Similar limitations will apply to preparers when considering the needs of users of specific GPFRs.

Given this, we suggest that this sentence should refer to 'perceived', or 'assessed' needs.

3 Comment on Para 2.4

This paragraph lists other matters in respect of which ...*the financial statements may ... provide information that assists users ...*

We agree with the inclusion of each of the matters listed, which are in line with the information identified as supporting accountability and decision making in Chapter 2 of the Conceptual Framework.

We also suggest it would be helpful to add a reference to propriety and governance. In our view these are aspects of *information about the entity's management of the resources entrusted to it* as described at paragraph 2.8 of Chapter 2, and we also consider it to affect the assessment of [c]omplying with ... *authority regulating the ... use of resources* per paragraph 2.11 of Chapter 2. Many disclosures in financial statements and other reports relate to these, including disclosures on related parties and on remuneration of persons in governance positions.

4 Comment on Para 2.4(b)

This sub-paragraph reflects on *how well* a public sector entity has met its financial objectives. This is a somewhat informal framing, and it would be clearer and more helpful to reflect on 'how effectively' or 'to what extent' the entity has met its objectives.

5 Comment on Para 2.5

This paragraph explains that:

For other GPFRs the objectives of financial reporting, applied to the area covered by a particular report, guide detailed information selection decisions in order to satisfy the user needs addressed by a particular report.

The repetition of 'particular' is unnecessary and unclear. We suggest that the first instance of 'particular' is deleted.

6 Comment on Para 2.9

The last sentence of this paragraph is not very clear and we are not sure that it adds significantly to what is already explained in the previous sentence.

7 Comment on Para 4.9(a)

We suggest that 'related' can be deleted, as it is implicit in the fact that the 'related impact' in (a) is part of a list of relationships.

8 General comment on the use of the terms 'GFPRs' and 'reports' (and in particular paragraphs 1.9, 1.10, 2.2)

The ED contains a number of references to 'GFPRs' – ie General Purpose Financial Reports containing multiple 'reports'.

We understand what is meant in each case, but the wording implies that a single report contains multiple reports. This wording seems clumsy and potentially confusing, especially for IPSAS users who are not English speakers. It would be helpful if the wording was reworked to more clearly distinguish the overarching reporting and the component reports, perhaps by referring to the overarching groups of reports as 'reporting.'

As noted in para 1.9, this wording is also used in the Chapter 1 of the framework; it may also be helpful to make similar clarifying changes to Chapter 1.

9 General comment on the interaction between presentation and the Qualitative Characteristics (and in particular paragraphs 2.10, 3.1)

Paragraphs 2.10 and 3.1 read somewhat oddly. Some of our panel members suggested that timeliness is insufficiently connected to presentation to warrant inclusion at 2.10; most of the points made in 2.10 relate to the necessary characteristics of information in GPFRs rather than the presentation of that information. Similarly at 3.1 the location of information might be considered to have no effect on its verifiability.

Presentation is an information provision process, a communication process.

We agree that it needs to be considered in the context of all of the qualitative characteristics of financial reporting. However, we suggest that it will support different characteristics in different ways, and that it would be helpful to be clearer about this, to avoid concerns such as those expressed above.

To the extent to which presentation involves the selection of content, Relevance and Verifiability are significant considerations, taken together with the other QCs.

To the extent that presentation is intended to enhance communication, it mainly impacts upon QCs which encompass an aspect of communication or interpretation of information. Which is to say, Understandability, Faithful Representation and Comparability.

If these points are made clearer, then it would be possible to delete some of the material in 2.10 and 3.1, mainly emphasising that the information in GPFRs must reflect an appropriate balance of the QCs.

10 General comment on the use of the term 'face' or 'on the face of' (and specific references in paras 4.8 and 4.10)

References to display 'on the face of' a financial statement are confusing. The text appears to be referring to items which are displayed rather than disclosed, and if so, the term 'display' should be sufficient of itself. If the terminology 'on the face of' is retained, some explanatory context would be helpful.



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

8 August 2013

Stephenie Fox
IPSASB Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2

Dear Ms. Fox:

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* exposure draft. I am responding on behalf of the Office of the Auditor General of Canada.

I hope you find our comments valuable in finalizing the amendments to the Conceptual Framework of the Handbook of International Public Sector Accounting Pronouncements.

We offer the following responses to the specific questions posed to respondents, and trust that you will find these comments helpful. Should you have any questions, please do not hesitate to contact me at (613) 995-3708.

Yours sincerely,

A handwritten signature in blue ink, reading "Stuart Barr".

Stuart Barr
Assistant Auditor General

Enclosure

Specific questions

1. *Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?*

We agree that the descriptions of presentation, display and disclosure and the relationships between these concepts are appropriate for all reports within the scope of the ED.

2. *Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?*

We agree that the identification of the three presentation decisions in Section 1 are appropriate.

3. *Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?*

We agree that the proposed approach to making presentation decisions in Section 1 is appropriate.

4. *Do you agree with the description of information selection in Section 2:*
(a) In the financial statements; and
(b) Within other GPFRs?
If not, how would you modify the description(s)?

The guidance in the ED regarding the selection of information to be presented in the financial statements repeats what is currently included in Chapter 2 of IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. We recommend that the IAASB eliminate any duplicate information in this section contained elsewhere in the Conceptual Framework.

We agree with the factors included in the ED which should be considered by an entity when selecting information for inclusion in a GPFR.

5. *Do you agree with the description of information selection in Section 3:*
(a) In the financial statements; and
(b) Within other GPFRs?
If not, how would you modify the description(s)?

We agree with the description of information location in Section 3 relative to both financial statements and GPFRs.

6. Do you agree with the description of information organization in Section 4:

(a) In the financial statements; and

(b) In other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of information organization in Section 4 relative to both financial statements and GPFRs.

7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We believe that the level of detail provided in the ED is sufficient to provide public sector entities with the relevant factors they should consider when making presentation decisions.

Swiss Comments to

Exposure Draft Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

Table of Content	Page
1. Introduction.....	1
2. General Remarks	1
2.1 Specific Matter of Comment 1	1
2.2 Specific Matter of Comment 2	1
2.3 Specific Matter of Comment 3	2
2.4 Specific Matter of Comment 4	2
2.5 Specific Matter of Comment 5	2
2.6 Specific Matter of Comment 6	3
2.7 Specific Matter of Comment 7	3

1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the intercantonal Conference of Cantonal Finance Directors (Finance Ministers at the States level). One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *Exposure Draft Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*. and comments as follows.

2. General Remarks

The SRS-CSPCP welcomes the fact that the IPSAS Board has streamlined the 2012 *Consultation Paper* and that an *Exposure Draft* is now available. The latter is significantly easier to understand than the former. Having said that and from a Swiss perspective, this 4th part of the Framework does not really bring any new elements, which will change present accounting in Switzerland. Therefore the SRS-CSPCP feels quite at ease with it.

2.1 Specific Matter of Comment 1

Do you agree with the proposed descriptions of « presentation », « display » and « disclosure » and the relationships between them in Section 1 ? If not, how would you modify them ?

The SRS-CSPCP agrees in principle with these definitions and their relationships. However, the definitions remain fairly abstract. Therefore the SRS-CSPCP believes that it will be necessary within each individual standard to state precisely what information must be disclosed and very specifically whether it must be “displayed” or “disclosed”. When it comes to the information that must be “disclosed”, it must be made clear what piece of information must mandatorily be reported for reclassification according to the GFS Guidelines. It should also be established in what form Whole of Government statements respecting GFS Guidelines should be disclosed in the other GPFRs (General Purpose Financial Reports).

2.2 Specific Matter of Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify the identification of presentation decisions ?

The SRS-CSPCP agrees with these presentation decisions. However, this chapter lacks a section that would stress the differences between the IPSAS and GFS Guidelines and how to manage the differences.

2.3 Specific Matter of Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

The SRS-CSPCP agrees in principle with this approach. From the already existing parts of the framework, it follows that this 4th chapter should make compulsory that every individual standard must state clearly what information must be disclosed for which user (*"displayed"* or *"disclosed"*). Indeed the existing framework points out that the needs of the different stakeholders and in particular those of the decision takers (e.g. the executive) and not only those of the debtors should be considered for the presentation of the other GPFRs and the *General Purpose Financial Statements (GPFSs)*.

2.4 Specific Matter of Comment 4

Do you agree with the description of information selection in Section 2

a) in the financial statements ? b) in other GPFRs?

The SRS-CSPCP agrees with the selection criteria for information in the other GPFRs and GPFSs. However, it has one remark regarding Point 2.4 (b): The announcement about how well a public entity has achieved its financial goals belongs in the *Management commentaries*. Therefore it may take place in the other GPFRs, but certainly not in the GPFSs.

A Point 2.4 (c) should be added to make sure that the user of the GPFSs is provided with the necessary information to assess by himself the reliability of the figures presented (for example information about the fact that statements are based on actual figures or estimates).

2.5 Specific Matter of Comment 5

Do you agree with the description of information location in Section 3

a) in the financial statements?

b) in other GPFRs?

c) between different reports within GPFRs?

If not how would you modify the description(s)?

As far as the SRS-CSPCP is concerned, Section 3.3 is not clear. Why precisely three location facts (linkage, nature, jurisdiction)? In our view they must be understood as examples, because there are also other factors. The information provided in the ED does not suffice to to decide e.g. whether a new piece of information should belong in the GPFSs or in the other GPFRs.

Paragraphs 3.4 to 3.7 do not permit a decision as to which information is to be assigned to the GPFSs or the other GPFRS. In particular Paragraph 3.4 seems to be incorrect: "a complete financial picture of an entity" belongs in the other GPFRs and not in the GPFSs. Further it does not follow from the proposed criteria of Sections 3.4 to 3.7 whether new pieces of information (e.g. financial statistics) must be included in the GPFSs or in the other GPFRs. In general the SRS-CSPCP regret that in Section 3 some information is too detailed, while on the other hand other information is not available.

2.6 Specific Matter of Comment 6

Do you agree with the description of information organization in Section 4

a) in the financial statements?

b) in other GPFRs?

If not how would you modify the description(s)?

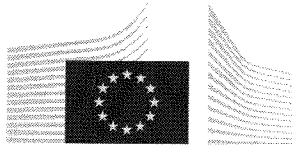
The SRS-CSPCP agrees with the description of the organization of information in the GPFSS and in the other GPFRs. An exception is Section 4.16, which should apply not only for the GPFRs but also for the GPFSS, because (quantitative) comparisons are also made in the GPFSSs.

2.7 Specific Matter of Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals ?

The SRS-CSPCP is of the opinion that this 4th part of the framework should not be too detailed, but rather cover the main lines (principles) of presentation. The detailed rules for presentation should then be mentioned in the individual standards.

Lausanne, 28 May 2013



EUROPEAN COMMISSION
Budget

The Accounting Officer of the Commission

Brussels,
BUDG.DGA.C02/MK/mt

**NOTE FOR THE ATTENTION OF PROF DR ANDREAS BERGMANN,
CHAIRMAN OF THE IPSAS BOARD**

**Subject: Comments on the Conceptual Framework Exposure Draft 4:
Conceptual Framework for General Purpose Financial Reporting by
Public Sector Entities: Presentation in General Purpose Financial
Reports**

Thank you for giving me the opportunity to comment on the Exposure Draft 4 of the Conceptual Framework project. The following comments are made in my capacity as Accounting Officer of the European Commission responsible for, amongst other tasks, the preparation of the annual consolidated accounts of the European Union which comprise more than 50 European Agencies, Institutions and other Bodies with an annual budget of more than EUR 140 billion.

As a general comment, I would like to congratulate the IPSAS Board for issuing this high quality exposure draft and for the significant progress made on the development of the Conceptual Framework. Please find my comments on specific matters of this exposure draft in the Annex to this note.

I look forward to our continued co-operation in the area of public sector accounting and remain at your disposal for any questions that you may have on these comments.



Manfred Kraff

Annex: Comments on specific matters

Copy: S. Fox, J. Stanford, IFAC
F. Lequiller, ESTAT D
R. Aldea Busquets, BUDG C; M. Koehler, BUDG C.2

Annex: Comments on specific matters

Specific Matter for Comment 1:

Do you agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?

Comment:

We agree in general with the proposed descriptions of "presentation", "display" and "disclosure" in Section 1. However, we would like to draw attention to the wording in paragraph 1.3 where the CF says: "...and not be distracted by an excess of detail that could otherwise obscure those messages." We would propose deleting this phrase from the description since note disclosures should also not distract the reader and obscure the messages displayed. Although note disclosures provide more details than displayed information they should not provide an information overload either ("excess of detail") that could distract readers of financial statements. We therefore believe it is not appropriate to use this wording as a distinction between "display" and "disclosure". The description of display could be limited to: "Displayed information should be kept to a concise, understandable level, so that users can focus on the key messages presented (without going into unnecessary level of details)."

The first sentence in paragraph 1.5 is in contradiction to both the sentence directly after and the first sentence in paragraphs 1.2, 1.4 and in a number of paragraphs in following sections (e.g. 4.11). We believe that display does not exclude information from being disclosed and vice versa. We think that two scenarios¹ are possible:

- a) Information is displayed and disclosed; and
- b) Information is not displayed but disclosed.

Consequently, we believe the wording of the first sentence in paragraph 1.5 needs to be revised.

Specific Matter for Comment 2:

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Comment:

We agree with the proposed three presentation decisions in Section 1.

¹ We are not aware of examples in GPFS where information is displayed but not disclosed.

Specific Matter for Comment 3:

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Comment:

We agree with the proposed approach of making presentation decisions in Section 1.

Specific Matter for Comment 4:

Do you agree with the description of information selection in Section 2:

- a) In the financial statements; and*
- b) Within other GPFRs?*

If not, how would you modify the description(s)?

Comment:

We agree with the proposed description of information selection in Section 2. We welcome in particular that this concept is not limited to the financial statements but applies also to other reports (other GPFRs).

Paragraph 2.10 which is completely devoted to the QC timeliness appears to us overly long and it over stresses this point as compared to the other QCs. Without questioning the importance of timeliness in this context, it seems to create an imbalance to include in Section 2 a relatively long paragraph on this QC whereas other QCs (e.g. relevance) are only mentioned briefly in this section.

This issue could be solved if the two last sentences of the paragraph, which deal with information derived from other sources than the financial information system, would be presented as a separate paragraph including references to other QCs.

Specific Matter for Comment 5:

Do you agree with the description of information location in Section 3:

- a) In the financial statements;*
- b) In other GPFRs; and,*
- c) between different reports within GPFRs?*

If not, how would you modify the description(s)?

Comment:

We agree with the proposed description of information location in Section 3.

Specific Matter for Comment 6:

Do you agree with the description of information organization in Section 4:

- a) In the financial statements; and*
- b) In other GPFRs?*

If not, how would you modify the description(s)?

Comment:

We agree with the proposed description of information organization in Section 4.



NZ ACCOUNTING
STANDARDS
BOARD

12 August 2013

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA

Submitted to: www.ifac.org

Dear Stephenie

***Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports***

Introduction

The New Zealand Accounting Standards Board (NZASB) is pleased to submit its comments on the Conceptual Framework Exposure Draft 4, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (CF-ED4). CF-ED4 has been issued for comment in New Zealand and as a result you may also have received comments directly from New Zealand constituents.

General Comments

The NZASB acknowledges the leadership of the International Public Sector Accounting Standards Board (IPSASB) in seeking to address the topic of presentation within its conceptual framework, thereby creating a foundation for future thinking and work on presentation.

The development of the conceptual framework by the IPSASB is extremely important to New Zealand, given the External Reporting Board's (XRB) decision to base its accounting standards for public benefit entities¹ on International Public Sector Accounting Standards (IPSASs). As such, it is critical to us that the conceptual framework that underlies IPSASs is conceptually robust, coherent and appropriate for public sector entities in New Zealand.

We note that the International Accounting Standards Board (IASB) has recently recommenced its work on a conceptual framework for for-profit entities. We encourage the IPSASB and the IASB to work closely together in developing their conceptual frameworks as the two Boards are likely to be considering similar issues. While the development of the IPSASB's conceptual framework is not an International Financial Reporting Standards (IFRS) convergence project, it is desirable that the concepts and terminology included in the two

¹ Public benefit entities comprise public sector and "private" not-for-profit entities.

frameworks are aligned to the extent possible. In our view, most of the concepts underpinning financial reporting are not sector-specific and we are asking both the IPSASB and IASB to attempt to remove any unnecessary differences.

Presentation and disclosure are central to the credibility and perceived value of financial reporting. One of the most common complaints about GPFR relates to disclosure overload and complexity. In its conceptual framework project, the IPSASB has the opportunity to enhance its leadership in this area by ensuring that the concepts and principles underlying presentation and disclosure in the conceptual framework are well-developed and robust, thereby providing a sound conceptual basis for standards-level requirements on presentation and disclosure.

Specific Comments

In general, the NZASB supports the proposed presentation concepts and principles contained in CF-ED4. The NZASB also supports the proposed application of the presentation concepts and principles to both financial statements and other general purpose financial reports (GPFRs). In addition, the NZASB agrees that the aim of presentation is to provide information that contributes towards the objectives of financial reporting and achieves the qualitative characteristics (QCs) while taking into account the constraints.

However, the NZASB is not supportive of the proposed terminology in CF-ED4, in particular, the use of the terms “presentation”, “display” and “disclosure” in the manner proposed. Terms like “presentation” and “disclosure” have traditionally been used more generically and may be associated with different meanings in different jurisdictions. We are concerned that the use of these terms in the manner proposed in CF-ED4 is potentially confusing. Further, it appears that the IASB, in its conceptual framework project, will use the term “disclosure” as an overarching term for the process of providing relevant financial information about the reporting entity to users and “presentation” as the disclosure of financial information on the face of an entity’s primary financial statements. The NZASB considers it critical that both the IPSASB and the IASB work towards aligning the terminology in their respective frameworks.

Further, we consider that the use of the proposed terms “display” and “disclosure” to distinguish what is communicated to users in a GPFR as “key” information from other information continues to imply that displayed information is more important than disclosed information. This is clearly not the case, for example, where information in the notes to the financial statements is important but cannot be included in the primary financial statements because of its narrative nature. We recommend the removal of the proposed terms “display” and “disclosure”. Instead, where appropriate, the words should be used in their generic sense rather than as proposed.

We discuss these in greater detail under Specific Matter for Comment 1 below.

The NZASB considers that, subject to our comments in the Specific Matters for Comment below, the proposals are an appropriate foundation for a chapter on presentation in the conceptual framework. Presentation is an important aspect of GPFRs and the inclusion of a chapter on presentation that is well-developed and robust will enable the IPSASB to issue a coherent conceptual framework that covers all aspects of a GPFR. We strongly encourage, the IPSASB to further develop this chapter of the conceptual framework prior to finalising the conceptual framework.

The above issue and our other comments are discussed more fully in the Appendix to this letter. If you have any queries or require clarification of any matters in this submission, please contact Clive Brodie (clive.brodie@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michele Embling', enclosed within a large, loopy circular flourish.

Michele Embling

Chairman – New Zealand Accounting Standards Board

Email: Michele.Embling@xrb.govt.nz

APPENDIX

Response to Specific Matters for Comment

Specific Matter for Comment 1:

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

The NZASB does not support the proposed descriptions of “presentation”, “display” and “disclosure” and the relationships between them. We consider that presentation is more in the nature of “where” and “how” information is disclosed in a GPFR (i.e., the location, format and organisation of information) whereas disclosure is more in the nature of “what” information to communicate to users (i.e., information selection).

The terms “presentation” and “disclosure” have traditionally been used more generically and, in some jurisdictions, with different meanings. The use of these terms in the manner proposed by the IPSASB may be confusing. In particular, the word “disclosure” is usually associated with a range of meanings, frequently including the selection of information. Further, it appears that the IASB, in its conceptual framework project, will use the term “disclosure” as an overarching term for the process of providing relevant financial information about the reporting entity to users and “presentation” as the disclosure of financial information on the face of an entity’s primary financial statements. The NZASB considers that, regardless of the terminology used, it is critical that both the IPSASB and the IASB work towards aligning the terminology in their respective frameworks.

We note that the use of the proposed terms “display” and “disclosure” to distinguish what is communicated to users in a GPFR as “key” information from what is “disclosed” to users to make the displayed information more useful (paragraphs 1.3 and 1.4 of CF ED-4) continues to imply that displayed information is more important than disclosed information. This is notwithstanding the statement in paragraph BC 9 that the terms “core information” and “supporting information” were removed to avoid the implication that one type of information is more important than the other. We suggest that removing the proposed terms “display” and “disclosure” may address the issue to some extent.

In addition, we consider it may be useful for the conceptual framework to acknowledge that different information may have different levels of materiality and it may be necessary for some information to be disclosed with greater prominence than other information in a GPFR, notwithstanding their “location”. In other words, in making our comments above, we are not disagreeing with the idea that some information represents “key” information, in that it is highly relevant to users of the financial statements – rather, our concern is the inference that information that is “displayed” on the face of the financial statements is more important than information that is “disclosed” in the notes to the financial statements.

Furthermore, while it may be helpful to distinguish between the messages on the face of a particular statement and other information in a GPFR, we do not consider that the use of the terms “display” and “disclosure” as proposed achieves this. We note that CF-ED4 sets out some general criteria for information selection, information location and information organisation in the sections on those components. However, no criteria are set out in relation to display and disclosure decisions. In the absence of such criteria, we consider that the use of the terms display and disclosure will be of limited use to the IPSASB in making standards-level decisions. We are concerned that the “criteria for display and disclosure” set out in paragraph 1.6 will effectively be an ad hoc list of “rules”.

Following on from this comment we consider that one of the most important starting points for guiding a decision on where and how information should be communicated would be whether an

item meets the definition and recognition criteria as an element for a GPFR. We note that paragraphs BC4 and BC5 explain the relationship between presentation concepts and other parts of the Framework. We recommend that the comments underlying paragraphs BC4 and BC5 be repeated in section 1. We consider that applying the element recognition and measurement concepts as set out in the other parts of the Framework may assist IPSASB (and preparers) in determining the “where and how” decisions.

We note the proposal in CF-ED4 to link presentation concepts to the QCs at a high level without more specific criteria. The discussion on information selection, information location and information organisation throughout CF-ED4 sets out important communication principles that effectively require the information communicated to users to be:

- clear, balanced and understandable;
- entity-specific;
- organised in a manner that highlights what is important;
- linked;
- not duplicated; and
- comparable.

The NZASB considers that the succinct expression of these principles in Chapter 1, with a link to the general principles in the later sections on information selection, information location and information organisation, would highlight their importance and be useful in a chapter on presentation.

Specific Matter for Comment 2:

Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify the identification of presentation decisions?

Subject to our comments in Specific Matter for Comment 1, we agree with the identification of the three presentation decisions (selection, location and organisation) in Section 1. This is consistent with our view that presentation deals with what, where and how information is communicated to users in a GPFR.

Specific Matter for Comment 3:

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

As stated in our comments in Specific Matter for Comment 1, we do not agree that the proposed approach in section 1 will be useful to the IPSASB (and preparers) in making presentation decisions.

The NZASB considers that presentation in a public sector context should focus more specifically on the users of the public sector GPFRs and their information needs. This should determine the types of information that should be communicated to users and the weighting that IPSASB places on the information to be communicated. For example, service recipients are an important group of users in the public sector. Information communicated in a GPFR should take their particular information needs into account. The NZASB observed that the IPSASB, in basing IPSASs on IFRSs, had adopted a number of disclosures that were considered relevant for users of IFRS financial statements but which

may not necessarily be useful for, or give sufficient emphasis to, the information needs of public sector GPFR users. The NZASB considers that being more discerning and focussed on public sector GPFR users may assist in reducing disclosures and in making decisions about the selection, location and organisation of information. It may also lead to the need to disclose other relevant information for users in the public sector, as is seen in the recent development of the draft Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*.

In this regard, paragraph 1.8 states that decisions on the selection, location and organisation of information are made "*in response to the needs of users for information about economic or other phenomena*". They seek to achieve the financial reporting objectives while also applying the QCs and constraints. We note that user needs (as set out in Chapter 2 of the Framework on *Objectives and Users of General Purpose Financial Reporting*) are discussed in Section 2 of CF-ED4 on information selection. We think that it would be useful to also refer to Chapter 2 of the Framework in paragraph 1.8 so that it is clear that presentation decisions are made in response to those users' needs.

The NZASB also suggests that any discussion on the identification of information (in paragraph 1.6 of CF-ED4) and for presentation decisions (in paragraph 1.8) make a clearer distinction between (i) when those decisions are intended to be taken by the IPSASB (when setting presentation requirements at the standards-level), and (ii) when they are to be taken by the entity (when applying the standards to ensure that the information meets the needs of users for information about the entity's economic and other phenomena). This is important given that the Framework is also intended to provide guidance to preparers in the absence of Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs).

Specific Matter for Comment 4:

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

We support the IPSASB's approach of linking presentation decisions with the objectives of financial reporting, the qualitative characteristics, the constraints of GPFRs and information already reported in GPFRs.

We also agree with the description of information selection in Section 2 in (a) financial statements and (b) within other GPFRs. We consider that these general descriptions explain the underlying principles adequately: there is no need, in our view, to link them to the specific terms, display and disclosure, in the manner proposed.

However, we suggest that the IPSASB considers whether the conceptual framework could further operationalise the qualitative characteristics into more specific criteria to guide both IPSASB and preparers in their information selection decisions at the standards-level. For instance, in applying the QCs to information selection in GPFRs, we have identified two possible criteria that might require information to be selected and communicated to users:

- (a) the information explains the key objectives of the entity; and
- (b) the information explains major changes from the past where previously presented information is not a reliable guide to the future.

Further, we encourage the IPSASB to emphasise that information selection decisions require continuing and critical review. One of the issues noted in recent years is the tendency of preparers

to continually add to the information presented, rather than ensuring that the presentation, taken as a whole, is informative.

Specific Matter for Comment 5:

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

We support the IPSASB's approach of using the term "location" to (a) convey information and its connections with other items of information; (b) convey the nature of information; and (c) link different items of information that combine to meet a particular user need.

However, as stated in our comments above, we do not support the use of "location" (through the use of the terms "display" and "disclosure") to convey the relative importance of information.

Specific Matter for Comment 6:

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

We support the IPSASB's approach of using the various means to ensure that information organisation makes clear important relationships between items.

Subject to our comments to Specific Matter for Comment 1, we agree with the description of information organisation in (a) in the financial statements and (b) in other GPFRs.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Subject to our comments above, we consider that CF-ED4 we consider that the IPSASB has created a good foundation for future thinking and work on presentation concepts. However, we strongly encourage the IPSASB to further develop this chapter of the conceptual framework prior to finalising the conceptual framework

International Federation of Accountants
International Public Sector Accounting Standards Board
To: Ms Stephenie Fox
Technical Director
277 Wellington Street, 4th Floor
CANADA – Toronto, Ontario M5V 3H2

date
01/08/2013

contactperson
Erwin Vanderstappen

e-mail
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Tel.
T +32 2 509 00 11

Re: Comments on the proposals in CF-ED4: Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities: Presentation in General Purpose Financial Reports

Dear Ms Fox,

Please find included the comments of the Belgian Institute of Registered Auditors (Royal Institute) on the specific matters for comments of the Conceptual Framework Exposure Draft 4 (CF-ED4); Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports.

The Belgian Royal Institute of Registered Auditors, a professional organization with legal personality, created by the law of 22 July 1953 and member of the International Federation of Accountants (IFAC), represents approximately 1,050 auditors registered in the public register of the Institute. It coordinates the training and the ongoing organization of a body of specialists capable of performing the function of registered auditor in the public and private sector with every guarantee of competence, independence and professional integrity.

The Institute is also strongly involved in the regulation and follow-up of its members regarding their activities in financial accounting (accrual and budgetary accounting) and auditing in Belgian governmental financial statements and has thus a special interest in the ongoing projects of the International Public Sector Accounting Standards Board.

With these comments the Institute would like to contribute to the development of high-quality public sector accounting standards and guidance.

Yours sincerely,

Daniel Kroes
President

Specific Matter for Comment 1

Do you agree with the proposed description of “presentation”, “display” and “disclosure” and the relationship between them in Section 1? If not, how would you modify them?

The Institute agrees with the proposed descriptions and the relationship between them.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify the identification of presentation decisions?

We agree with the identified three presentation decisions (selection, location and organization) but suggest the IPSASB to consider a fourth presentation decision, namely the publicity of GPFRs (decisions on how the GPFRs will be made publicly available to the different external users, e.g. web site facilities, certain social media, open or closed groups, ...).

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

The Institute confirms the IPSASB’s view that presentation decisions should be made in response to the needs of users for information about economic or other phenomena. However any legal provisions should also be taken into account in the presentation decisions. Such legal provisions should also be a relevant factor to decide about selecting, locating (already mentioned in Section 3, paragraph 3.3), organizing (and publishing) information in the GPFRs.

Regarding the user needs, we would like to emphasize also their importance in determining the presentation of general purpose financial reports. Actually, the prescriptions developed by the IPSASB in current exposure draft should be based on preferably empirical user need research instead of on presupposed needs. In other words, it is advisable to examine the usefulness and applicability of the prescriptions by organizing a field study or survey to ascertain the appropriateness of the ED’s prescriptions. The comments of specialists on this ED are welcome, but one needs also the perception of different users.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and**
- (b) Within other GPFRs?**

If not, how would you modify the description(s)?

The current European sovereign debt crisis and related government debt issues highlights the need for audited GPFRs in order to restore the public’s confidence in public sector financial reporting. This fact was also one of the recommendation of the IFAC for consideration by the

G-20 Nation meeting on November 2011. Eurostat is also committed to verify the degree of assurance provided by internal controls and external audits by supreme audit institutions or other external audit bodies of the quality of public accounts used as inputs to the EDP compilation processes. We strongly recommend the IPSASB to add a paragraph in Section 2 of the CF-ED4 that stresses that information needs to be audited by an external body (Supreme Audit Institutions or other professional audit bodies) before being reported.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;**
- (b) In other GPFRs; and**
- (c) Between different reports within GPFRs?**

If not, how would you modify the descriptions(s)?

The Institute agrees with the proposed descriptions of information location in Section 3.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and**
- (b) In other GPFRs; and**

If not, how would you modify the descriptions(s)?

Except for the remark formulated under Specific Matter for Comment 3 (including legal provisions as a factor influencing information organization), the Institute agrees with the proposed descriptions of information organization in Section 4.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

In our opinion the CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs and we share the IPSASB's view that further details on presentation requirements of specific GPFRs should be discussed in the Standards and not at the Conceptual Framework level.



EKONOMISTYRNINGSVERKET

Date
August, 2013
Reference number
3.4-883/2013
Our reference
Anne-Marie Ögren

Comments on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, Exposure Draft 4: Presentation in General Purpose Financial Reports

The Swedish National Financial Management Authority (ESV) appreciates the opportunity to respond to the International Public Sector Accounting Standards Board's Exposure Draft 4 entitled Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports.

ESV is the government agency responsible for financial management and development of GAAP in the Swedish central government

Overall Opinion

ESV finds the exposure draft highly relevant and it is an interesting theoretical discussion on the presentation issue. However, we are of the opinion that the technique of optimizing the presentation of financial reports also has to consider demands and limitations deriving from the users (government and parliament) and from national constitutional and other lawful background.

Specific Matter for Comment 1

Do you agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?

Comments:

We agree to the three proposed descriptions.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Comments:

We agree with the identification of the three presentation decisions.



EKONOMISTYRNINGSVERKET

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Comments:

We agree with the proposed approach but we also believe that the demands of users need to be taken into consideration.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

Comments:

We agree.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Comments:

We agree. In this part there is an interesting and from our point of view adequate description about the information disclosed in the notes to the financial statements. For instance, in part 4.12 it says that “information disclosed in the notes to the financial statements is necessary to a user’s understanding of those financial statements.” We agree with this description but we refer to ESV’s previous opinion that some of the requirements of disclosure information in today’s IPSAS standards are too detailed, technical and comprehensive. They are far more exhaustive than necessary and our opinion is that they in several cases rather confuse the user than give further understanding information about the financial statements. ESV therefore assumes that today’s IPSAS standards should be revised concerning disclosure information after the framework has been adopted.

Disclosure information is also discussed in a discussion paper: *Towards a Disclosure Framework for the Notes*¹. According to this paper there are two main areas of improvement:

¹ The Discussion Paper is issued by the European Financial Reporting Advisory Group (EFRAG), the French Autorité des Normes Comptables (ANC) and the UK Financial Reporting Council Accounting Committee (FRC) in 2012.



EKONOMISTYRNINGSVÄRKET

- a) avoiding disclosure overload,
- b) enhancing how disclosures are organized and communicated in the financial statements to make them easier to understand and compare.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

Comments:

We agree.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Comments:

We consider it sufficient.

Concluding remarks

We hope the comments given will be useful in your continuing work. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards and a framework for financial reporting.

Senior Advisors Anne-Marie Ögren, Maria Olsson and Curt Johansson have prepared the comments given in this report.

Yours sincerely,

Pia Heyman

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August 12, 2013

Ms. Stephanie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on its April 2013 Exposure Draft 4 - *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (ED). The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

General Comments

This ED sets out the concepts that the IPSASB proposes the preparer and auditor should apply when reaching a decision regarding presentation of information in a general purpose financial report (GPFR), which may include a general purpose financial statement. The FMSB has reviewed the proposed Conceptual Framework ED and generally agrees with IPSASB's proposed concept document. We support the approach being used by the IPSASB in developing a Conceptual Framework that can be used by the standard setters in developing proposed standards, by preparers when applying the IPSASB's standards and by auditors in determining if applicable standards have been applied correctly. We recognize that the IPSASB's proposed Conceptual Framework must be a broadly worded document that allows flexibility, especially given the international scope of the IPSASB's audience.

However, the FMSB believes that the IPSASB might consider expanding upon the guidance proposed regarding the issue of disclosure. Paragraph 1.4 of the ED states that disclosed information make displayed information more useful, by providing detail that will help users understand the displayed information. This definition might be interpreted to limit disclosures to only displayed items. We believe that the IPSASB might expand the definition to clearly allow the preparer to provide relevant information that might meet the threshold for recognition but is clearly a matter that should be brought to the attention of users. The IPSASB should also consider whether this is the appropriate place



to expand upon the matter of disclosure to present the concept that some disclosures will be considered essential and thus covered by the independent auditor's opinion whereas other disclosures might be considered supplementary and thus not subjected to the same scrutiny by an independent auditor. If this is the case, then we suggest that guidance be expanded. Following are our answers to the specific matters for comment posed by the IPSASB.

Specific Matters for Comment

1. Do you agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?

The FMSB agrees with the proposed descriptions regarding presentation and display, but disagrees with the proposed description of "disclosure". As stated in our general comments, we believe the description of the term "disclosure" should be reviewed and, if appropriate, expanded to provide for the matter of required disclosures and supplemental disclosures.

2. Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

The FMSB agrees with the IPSASB's identification of the three presentation decisions.

3. Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

The FMSB agrees with the proposed approach, except for our concerns regarding the description of the term "disclosure" which we believe should be expanded. See our general comments regarding our rationale for this statement.

4. Do you agree with the description of information selection in Section 2:
 - (a) In the financial statements; and
 - (b) Within other GPFRs?If not, how would you modify the description(s)?

The FMSB agrees with the description of information selection in Section 2.

5. Do you agree with the description of information location in Section 3:
 - (a) In the financial statements;
 - (b) In other GPFRs; and,
 - (c) Between different reports within GPFRs?If not, how would you modify the description(s)?

The FMSB agrees with the description of information location in Section 3.

6. The FMSB agrees with the description of information location in Section 4.
 - (a) In the financial statements; and
 - (b) In other GPFRs?If not, how would you modify the description(s)?

The FMSB agrees with the description of information location in Section 4.

7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

The FMSB generally agrees with the IPSASB's Conceptual Framework, except for our concerns regarding the description of the term "disclosure". See our general comments above.

We would like to thank you for allowing us to submit our comments to the exposure draft. Should there be any questions regarding our comments, please contact Steven Sossei at ssossei@agacgfm.org or (518) 522-9968.

Sincerely,

A handwritten signature in black ink, appearing to be 'EB', with a long horizontal line extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Mary Peterman, CGFM, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2013 – June 2014

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Steven E. Sossei, Staff Liaison, AGA



**The Japanese Institute of
Certified Public Accountants**

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August 15, 2013

Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

***Comments on the Conceptual Framework Exposure Draft 4
“Conceptual Framework for General Purpose Financial Reporting by
Public Sector Entities:
Presentation in General Purpose Financial Reports”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Conceptual Framework Exposure Draft 4 (CF-ED4), “*Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*,” as follows.

I. Comments on Specific Matters

Specific Matter for Comment 1:

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how do you modify them?

We generally agree with the Board's proposal, however, we suggest for the Board to carefully consider the following:

(1) Proposed definition of “presentation”

We believe that the proposed definition of presentation in paragraph 1.2 of the CF-ED4 may be misunderstood so that “display” and “disclosure” are the subordinate concepts of “presentation.” Therefore, we believe that it would be appropriate to remove the sentence on “display” and “disclosure” from paragraph 1.2, and simply state that, “[P]resentation is the selection, location and organization of information.” In this way, it will be clearly shown that the “presentation” is the process for reporting information.

Furthermore, in view of the flow of the sentences, we propose to change the order of the current paragraphs to read; paragraphs 1.1, 1.2, 1.5, 1.6, 1.7, 1.3, and 1.4, in order to clarify that “[P]resentation is the selection, location and organization of information.”

On a related note, it will also be useful to reorganize and classify paragraphs explaining the “nature” of information to be presented (displayed or disclosed), and the “techniques” on the presentation decisions as follows:

Section	Nature of information	Presentation techniques
Section 2	Par.2.3 to 2.5	Par.2.1, 2.2, 2.6 to 2.10
Section 3	N/A	All paragraphs
Section 4	Par.4.4 to 4.9, 4.12 to 4.14	Par.4.1 to 4.3, 4.10, 4.15, 4.16

(2) Distinctions among presentation, display, and disclosure

Paragraph BC7 states that certain distinction between “presentation” and “disclosure” used in some jurisdictions is inadequate to address presentation concepts for GPFRs. However, since the reason for not using the concept of “presentation” and “disclosure” is unclear from this sentence, we propose to modify the second paragraph of BC7 to read:

“The concepts of “presentation” and “disclosure” are closely related to both reporting of information on the face of a financial statement and in the notes to a statement. How they correspond with each reporting style is not always clear in other GPFRs. Therefore,

it will be difficult to conceptually clarify the presentation style of information for other GPFs.”

Furthermore, paragraph BC7 appears to place emphasis on “information,” along with “presentation” and “disclosure,” by stating that “...presentation applies to information reported on the face of a statement and disclosure applies to information reported in the notes...” Given that “presentation” or “disclosure” is not the “information” itself, but the process information is reported, we believe that the Board needs to modify these sentences, as well as its statement on “display” in paragraph BC7.

(3) Relationship between display or disclosure, and information selection

We believe that identification of information for display and disclosure (paragraph 1.6) is a part of information selection. Therefore, it will be appropriate to move paragraph 1.6 to Section 2: information selection, and show specific criteria for making decision on display and disclosure.

Specific Matter for Comment 2:

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

We agree with the proposed identification of three presentation decisions, provided that these will be clearly defined.

In the absence of a clear definition, it will be difficult to adequately understand those three presentation decisions. Furthermore, no clear explanation on each of those three terms can be found in the ED (please refer to our comment on distinction between high level decisions and lower level decisions below).

Specific Matter for Comment 3:

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

We agree with the proposed approach.

Specific Matter for Comment 4:

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

We generally agree with the description of information selection, however, we have the following comments for your consideration:

(1) Distinction between high level decisions and low level decisions

The ED identifies high level and low level decisions on selection, location and organization of information for presentation decisions in paragraph 1.10. However, it is debatable whether making this distinction is useful.

We believe that which information is to be reported in what reports (high level decisions), and where the information is to be placed within a report (low level decisions) should be articulated simply in relation to the location of information. Therefore, we suggest the Board to consider deleting paragraph 2.2.

(2) Guidance on detailed information selection decisions

Paragraph 2.5 states that “the objectives of financial reporting, applied to the area covered by a particular report” guides the selection decisions for detailed information for other GPFR. Given that the information presented in financial statements is the core of financial reporting, further explanation would need to be added to clarify that selection decisions on detailed information in other GPFRs should be made after carefully considering its relation to financial statements.

Specific Matter for Comment 5:

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

We do not agree with the proposal.

As opposed to state that location has the impact on information's relevance, verifiability, understandability, faithful representation, and comparability in paragraph 3.1, we believe that inserting some statements on qualitative characteristics in each relevant section will be sufficient. Therefore, we suggest deleting the first sentence of the paragraph 3.1 that describes qualitative characteristics.

Although it is not described in paragraph 3.1, information location also has influence on timeliness. For example, when selecting whether to report in financial statements or other GPFRs having different reporting date, the information location has an effect on timeliness.

In addition, the first sentence of paragraph 3.9. states that "[F]or the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes." And, this is described as "[this] style of organization" in the next sentence. We believe that "organization" should be changed to "location" since this paragraph is for information location.

Specific Matter for Comment 6:

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

We generally agree with the proposal in Section 4.

However, we believe that further clarification would be necessary, in regards to the descriptions of "display" and "disclosure" for "organization of information within the GPFRs" (paragraphs 4.15 and 4.16), to be in line with that for financial statements which distinguishes between "information displayed" and "information disclosed" in the financial statement (paragraph 4.8 to 4.13). Specifically, it would be appropriate to state that paragraphs 4.14 and 4.15 are explaining "display."

Furthermore, organization of information in other GPFRs is also necessary to be able to distinguish between information displayed and disclosed.

Specific Matter for Comment 7:

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We generally agree with that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs.

Yours sincerely,

Naohide Endo
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Azuma Inoue
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Conceptual framework for general purpose financial reporting by public sector entities: presentation in general purpose financial reports

Comments from ACCA to the International Public Sector Accounting Standards Board

Our ref: TECH-CDR-1237

13 August 2013

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 162,000 members and 426,000 students throughout their careers, providing services through a network of 89 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

www.accaglobal.com

Further information about ACCA's comments on this matter can be obtained from:

Gillian Fawcett

Head of Public Sector

Email: gillian.fawcett@accaglobal.com

ACCA welcomes the opportunity to comment on this consultation and supports the continuing development of the conceptual framework.

SUMMARY

On the whole we agree with the principles and concepts applicable to the presentation of information in general purpose financial reports (GPFRs) set out in this consultation. We feel that the proposals reflect a balance of good practice disclosure, as well as recognising the constraints. Two key criteria, which stand out in the consultation, are the need for the GPFR to reflect faithful representation and the prioritisation of information. The latter is particularly important as there is increasing pressure in both the private and public sectors to disclose more detailed information both quantitative and qualitative which has the effect of making reports more wieldy and lengthy and less accessible to the user.

SPECIFIC COMMENTS

- 1. Do you agree with the proposed descriptions of 'presentation', 'display', and 'disclosure' and the relationships between them in section 1? If not how would you modify them?**

We agree with the above descriptors.

- 2. Do you agree with the identification of three presentation decisions (selection, location and organisation) in section 1? If not, how would you modify the identification of presentation decisions?**

We agree with the three criteria set out above.

- 3. Do you agree with the proposed approach to making presentation decisions in section 1? If not how would you modify it?**

The approach to making decisions is both helpful and clearly articulated.

- 4. Do you agree with the description of information selection in section 2:**

- (a) In the financial statements; and**
- (b) Within other GPFRs?**

If not, how would you modify the description(s)?

The criterion for information selection allows a pragmatic approach to be applied in determining the appropriate level of disclosure in both the financial statements and other GPFRs.

- 5. Do you agree with the description location in section 3:**

- (a) In the financial statements**
- (b) In other GPFRs; and**
- (c) Between different reports within GPFRs?**

If not, how would you modify the description(s)?

We agree with the description of location in Section 3 and the above three reporting instances.

6. Do you agree with the description of information organisation in section 4:

(a) In the financial statements; and

(b) In other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of 'information organisation' and the highlighting of three types of relationships including, enhancement, and similarity and shared purpose.

7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We consider that ED4 contains sufficient detail on concepts.



Paris, July 19th

Comité consultatif sur la normalisation des comptes publics

(Advisory Committee on public sector accounting standards)

The Chairman

**IPSAS Board Exposure Draft on the conceptual framework, phase 4,
« Presentation in General Purpose Financial Reports ».**

Dear Mrs. Fox,

The Advisory Committee on public sector accounting standards is in charge, within the French Cour des comptes, of the preparation of its positions, answers and advices on public sector accounting standards issues, relating to entities from the three sub sectors (Central Government, Local authorities, Social Security).

The Cour des comptes thanks the IPSAS Board for giving the opportunity to express its views on this ED, and welcomes the statement that the IPSAS conceptual framework has not the purpose of merging with IFRS and IASB's conceptual framework, which emphasizes the necessity to consider the specificities of the public sector.

The Cour des comptes notes, as a preliminary, that this ED on the phase 4" has a smaller conceptual range than the other phases and is often restricted to recalling generally admitted truisms, such as the possibility to use tables and graphs, or stating that information overload may bring difficulties of understanding for the user. So, the IPSAS Board will have to adapt the size and structure of presentation matters in the final version of the conceptual framework, compare to those dedicated to fundamental accounting concepts.

The Cour des comptes considers that these conceptual constructions remain inadequate. They are built on a linguistic subtlety in English which seems to confer to “display” a higher degree of importance than to “disclose”. For the Cour des comptes, this nuance will be hardly translatable in other languages, and is probably out of reach for many actors in the world, who are required to use English to access to IPSAS Board outputs.

The Cour regrets that, in its conceptual statements, the IPSAS Board neglects to propose, for major terms loaded with conceptual sense, an explicit translation, at least in French for its concern.

2 The Cour notes that the ED deals with presentation of both Financial Statements (as described in IPSAS 1) and « GPFR General Purpose Financial Reports ». Common principles are exposed for those two categories of documents, although they are different in status and importance. The Cour considers that the Financial Statements, as defined in a mandatory standard, are the core of the mission of the IPSAS Board, and that the Board should deal in priority with Financial Statements.

3 However, it may seem paradoxical that in this ED, focusing on presentation and communication matters, The IPSAS Board has made no comment or proposal on the issue of the language in which the statements and reports are to be established.

The issue of the language is of major importance if one refers to the following “qualitative characteristics” settled in Chapter 3 of the conceptual framework pointed to by the ED (§1.2):

- “comparability”,
- “verifiability”
- “understandability”.

Moreover, Chapter 2 of the conceptual framework has identified “resource providers” among the main users of the Financial Statements and reports. In an open economy, international resource providers may not all understand official languages formally in use in each national community.

The silence in the ED on this question illustrates the limits of the IPSAS Board in matters out of its perimeter of competences as an accounting standard setter. Linguistic differences are always a highly sensitive question when trying to build International tools or standards, and various ways of mastering them have been elaborated by International Organizations through their founding Treaties that the IPSAS Board should consider.

4 The Cour des comptes considers that the “notes” are a substantial part of the Financial Statements. In that view, the notes cannot appear to supply information that would be lower or under rated compared with what is included in non-mandatory reports. It is, according to that principle, inappropriate to propose that key information (display) could be available in optional GPFR founded on RPGs, when detailed and

lower rated information (disclose) could be found in the notes, mandatory component of the Financial Statements according to IPSAS 1.

5 Some IPSAS (standards) use the word “disclose” pour mandatory information in the Financial Statements (cf. IPSAS 25 § 140, etc.), which could appear to contradict the definition given in the ED where “disclose” points to inferior information compared to “display”. If the IPSAS Board were to stick to the distinction “display/disclose” as settled in the ED, a huge work of updating these terms would have to be undertaken in existing standards at a substantial cost. The Cour des comptes is therefore skeptic regarding the purpose of introducing such a distinction in the conceptual framework.

6 As a Superior Audit Institution, in charge of legal audits of numbers of public entities, whether central, local, social or international, the Cour des comptes is concerned by the consequences on the tasks of external auditors of some requirements for presentation prescriptions appearing in the ED. It is for example the case for the admission of a “cost/benefit” criteria in the selection of information (§ 2.9) which might impact the quality of the “notes” in the financial statements, or the supply of additional and external information available at a date “as close as possible of the reporting date” (§2.10), formulation opening the way to delays in the finalization of financial statements.

The Cour wishes to mention its additional views on some of the proposals open to discussion in the ED in the following attachments.

Sincerely,


Raoul BRIET

Annex: specific matters for comments

Specific matter for comment 1

(Agreement on description of “presentation”, display” “disclose”?):

Response:

Disagreement. See above. The hierarchy introduced between “display” and “disclose” may weaken the content and the meaning of the notes, as a component of the Financial Statements. A lower information might be “disclosed” in mandatory Financial Statements defined in IPSAS 1, when key information would be “displayed” supplied in general reports only backed by RPGs. Semantic sophistications around the “display” and “disclose” concepts ignore the preliminary question of the language (s) in which the Financial Statements have to be presented, and especially the point to clarify if a presentation in one single national language is compatible with the objectives and the qualitative characteristics defined in the conceptual framework.

Specific matter for comment 2

(Definition of presentation decisions: selection, location, organization?)

Response:

Disagreement. The Cour des comptes considers that the communication on the financial statements, the choice of means to communicate and organization belongs to the responsibility of the appropriate levels of government and jurisdictions authorities, that these issues cannot be detached from the timetable of democratic process of approval of the financial statements and decision making relating to budget discussion. At least, it could be expected commitments from authorities preparing the Financial Statements to supply users with available relevant information on open and accessible media, in accordance with France’s practices.

The approach of the IPSAS Board emphasizes *user needs*, less rigorous and precise than the reference to *user rights*, which is fundamental in the French conception founded on Article 15 of the Declaration of Human and Citizen Rights of 1789.

Specific matter for comment 3

(Agreement on the decision making approach for presentation?):

Response:

Disagreement. As stated above, the reference in the ED to qualitative characteristics, in spite of the assertion mentioned in paragraph 1.8, does not deal with the languages limitations. Other developments in paragraphs 1.9 et 1.10 have no concrete impact.

Specific matter for comment 4
(*Agreement on information selection?*):

Response:

Disagreement. Paragraphs 2.3 et 2.4 in the ED do not mention the expected selection criteria which should result from the higher degree of importance of the mandatory Financial Statements, including the notes, as described in IPSAS 1, compare to the other reports, optional, and often redundant in numbers of governments and public entities with local practices and rules.

From a conceptual point of view, the hypothesis that information destined to the Financial Statements, as stated in IPSAS 1, may result from a selection, is not acceptable, since this information is obligatory.

Specific matter for comment 5
(*Agreement on information location?*):

Disagreement. The ED mentions that information in the notes “supports the information displayed in the face of the financial statements”. This assessment might allow excluding from the “notes” essential information non related to formal tables “in the face” of financial statements, but that can be nevertheless required by standards, such as indications on contingent assets or liabilities or commitments. It should be at least necessary to add in the ED a reference to requirements of presentation in the notes stemming from standards.

Specific matter for comment 6
(*Agreement on information organization?*):

Disagreement. The Cour des comptes has a fundamental divergence due to the view that communication and information organization are prerogatives of local governments according to national and local legislations. Furthermore, the Cour des comptes disagrees with the target of a similar presentation of all the information in Financial Statements and other reports; this could favor a uniformity of supports among the same entity, or among all public entities, central, local or social in a wide perimeter, source of waste and impoverishment of the contents.

Paragraphs 4.11 à 4.13 assimilate information in the notes to detailed or second ranking information (disclose), point which with the Cour strongly disagrees.

Specific matter for comment 7
(*Extension of proposals?*):

Disagreement. The Cour notices the absence of any indication relating to the

languages in which are presented the Financial Statements and the other reports, keeping in view that a presentation supplied by a public community in its own national or native languages might not be in accordance with other points of the conceptual framework in Chapters 2 and 3, such as the qualitative characteristics or the satisfaction of needs of non-polyglot users.



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Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

CP – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper: *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* ("the CP").

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC appreciates the IPSASB's efforts in developing a comprehensive Conceptual Framework for public sector entities. HoTARAC supports the objectives of the CP in establishing a conceptual basis for the presentation of information in General Purpose Financial Reports (GPFRs), but has some concerns that the proposals:

- create divergence between the IPSASB and International Accounting Standards Board conceptual frameworks without adequate justification for public sector differences;
- delegate high level principles to the standard level; and
- include material in the Framework that is too detailed and not conceptual in nature.

Additionally, HoTARAC is not convinced the proposals will substantially assist users as:

- the definitions of, and distinction between, core and supporting information need clarification; and
- the qualitative characteristics are sufficient to guide information included in GPFRs. Accordingly, the overlay descriptions and definitions terminology is unnecessary.

Comments by HoTARAC on the Specific Matters for Comment in the CP are attached.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance and Deregulation on 612 6215 3551.

Yours sincerely

A handwritten signature in black ink, appearing to be 'G Hehir', written in a cursive style.

Grant Hehir

CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

J June 2012

International Public Sector Accounting Standards Board

Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*

General Comments

Overall HoTARAC broadly supports developing a Conceptual Framework for presentation.

HoTARAC agrees that presentation of financial information should be driven by users' information needs and the qualitative characteristics (QCs) developed in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities Phase 1* (December 2010).

HoTARAC also supports paragraph 1.9 on acknowledging the challenges and the benefits of evolving technology in developing the Conceptual Framework for presentation.

However, HoTARAC has some concerns that the proposals:

- create greater divergence between the International Public Sector Accounting Standards Board (IPSASB) and International Accounting Standards Board (IASB) Framework without justification in terms of public sector issues (in the general comments below, HoTARAC has reiterated some of the comments submitted on earlier phases of the Framework); and
- place high level principles, such as presentation objectives, at the standard level rather than in the Framework and include material for presentation concepts and techniques that are too detailed for the Framework (again HoTARAC has reiterated earlier comments on the Framework including high level principles below).

In addition, HoTARAC is not convinced the proposals will substantially assist users and preparers of General Purpose Financial Reports (GPFRs) as:

- the definitions of, and distinction between, core and supporting information are not sufficiently explained and need clarification; and
- the QCs are sufficient to guide the information included in GPFRs and the overlay descriptions and definitions, at times redefining terminology, are unnecessary.

HoTARAC's concerns are explained in greater detail below and in the responses to the Specific Matter for Comment.

Presentation: Core information and supporting information

In principle, HoTARAC supports the development of the distinction between core and supporting information that can be applied to the IPSASB's broader definition of GPFRs. This approach is applicable to financial statements but also to a range of other public sector financial reports and hence will be useful in the development of future IPSASs.

However, at least one HoTARAC jurisdiction would prefer that the presentation Framework focuses more explicitly on General Purpose Financial Statements (GPFSs), given their relative importance and consistent with the approach taken in earlier phases of the Framework in regards to the definition,

recognition and measurement of elements of GPFSS. HoTARAC's detailed comments on this issue are outlined in our response to Specific Matter for Comment 1 below.

Presentation Concepts and Presentation Techniques

In HoTARAC's view the QCs are sufficient to guide the information included in GPFRs without the need for additional conceptual underlay. HoTARAC does not support the three proposed presentation concepts and presentation techniques of Section 6. In HoTARAC's view these are not high level principles and are too detailed for inclusion in a Conceptual Framework.

HoTARAC is of the view that these are explanatory guidance on the application of the concepts, in particular regarding the QCs, rather than concepts and should not be included in the Framework. HoTARAC's detailed comments on this issue are outlined in our response to Specific Matter for Comment 2 below.

HoTARAC previous comments on the development of IPSASB Conceptual Framework

HoTARAC raised a number of points in its response to the earlier exposure drafts and consultation papers (CPs) on IPSASB's Public Sector Conceptual Framework and reiterates some of these points as they are pertinent to the proposals in this CP.

Convergence with IFRS

HoTARAC reiterates its comments submitted to phases 1, 2 and 3 of the Conceptual Framework project that the IPSASB and the IASB's Frameworks should, where possible, be consistent, acknowledging that there may be circumstances where divergence is appropriate to better address situations and transactions unique to the public sector. HoTARAC again notes the IPSASB's comment on page 4 of the CP that 'the purpose of the IPSASB's project is not to interpret the application of the IASB Framework to the public sector'. HoTARAC believes the IPSASB's "Process for Reviewing and Modifying IASB Documents" is, at least partly, applicable to the development of a Conceptual Framework – particularly if alignment (to the degree appropriate) with IFRS is to remain an objective.

HoTARAC's preference continues to be that the IPSASB and IASB work more closely to achieve convergence of their respective Conceptual Frameworks and other pronouncements. Even if this would delay progress from an IPSASB perspective, HoTARAC believes such convergence would result in superior long-term outcomes for public sector entities globally. The greater the potential for divergence between pronouncements applicable to government business enterprises (issued by the IASB) and pronouncements applicable to other public sector entities (potentially issued by the IPSASB), the more significant are the practical difficulties in preparing consolidated financial statements for a whole-of-Government reporting entity.

Conceptual Framework should include only high level principles

HoTARAC also restates its comments that the IPSASB's Conceptual Framework be restricted to high-level principles that are appropriate to reporting by the broad range of public sector entities. HoTARAC believes that issues relating to the practical application of those high-level principles only be dealt with at a standard level.

Form of the finalised Framework

In light of the IPSASB's arrangements for release of separate documents for each phase of its Conceptual Framework project, HoTARAC would also request, as it has for the earlier phases of the Conceptual Framework, clarification on whether the finalised Conceptual Framework will be issued, as:

- one inter-connected document with self-contained chapters for particular matters;
- one document setting out over-arching principles – which HoTARAC presumes relates to Phase 1 – with separate documents that deal with specific aspects, but which are all subject to the over-arching principles; or
- some other arrangement.

Consistency between the Framework and IPSASs

HoTARAC reiterates its recommendation that the IPSASB clearly communicate to constituents how and when the eventual outcomes of the IPSASB's Conceptual Framework project will be reflected in existing IPSASs, to ensure consistency across all IPSASB pronouncements.

Application of the Framework to Economic Phenomena

HoTARAC previously recommended that paragraph BC 3.2 from the Phase 1 Exposure Draft of the Public Sector Conceptual Framework (Phase 1) be elevated to the Framework:

“IPSASs will not deal with all financial and non-financial information that may be included in GPFRs. In the absence of an IPSAS that deals with particular economic or other phenomena, assessments of whether an item of information satisfies the qualitative characteristics and constraints identified in this Conceptual Framework, and therefore qualifies for inclusion in GPFRs, will be made by preparers compiling the GPFRs. Those assessments will be made in the context of achieving the objectives of financial reporting, which in turn have been developed to respond to users' information needs.”

HoTARAC recommends a similar paragraph be included in the Exposure Draft for Phase 4 to clarify that preparers exercise their judgment in determining the inclusion of information in the GPFRs not required by an IPSAS.

Other Previous Comments

HoTARAC would also urge the IPSASB to consider the following points raised in HoTARAC's response to the previous phases of the IPSASB's Public Sector Conceptual Framework project:

- *IPSASB should research the objectives of financial reporting.*
This would be useful in developing objectives for presentation.
- *Differential reporting and the acknowledgement in the framework of the different needs of users of GPFRs.*
HoTARAC agrees that user needs for particular information are paramount in determining the information provided in GPFRs. Accordingly, HoTARAC recommends that the Framework

acknowledge that users of the GPFRs of entities presenting a lower risk – mostly smaller entities - have different information needs. This would be related to the cost-benefit test mentioned in paragraph 6.8 of the CP.

- *Different levels of assurance associated with the type of information provided in GPFRs.*
GPFRs contain a range of information from a variety of sources. There is a need for the Framework to acknowledge, in broad terms, that different levels of verifiability/assurance may be required for the various types of information contained in GPFRs. For example, the financial statements are usually subject to audit, while other information in GPFRs may be subject to less stringent review. In HoTARAC's view this relates directly to the QCs of verifiability and reliability and is relevant to users in assessing information presented in GPFRs.
- *Materiality.*
HoTARAC reiterates its earlier comments made in response to the Phase 1, that the majority of HoTARAC jurisdictions view materiality as an entity-specific element of relevance, rather than a constraint on information.

Guidance on whether Pronouncements are Voluntary or Mandatory

On the basis that any pronouncements issued by the IPSASB meet the QCs, HoTARAC would also recommend the Conceptual Framework include some principles to guide IPSASB in determining whether a pronouncement should be voluntary or mandatory. This would assist, for example, with providing a basis for the proposed level of authority of the recently released Exposure Draft 47 *Financial Statement Discussion and Analysis*.

Relationship of the QCs to Presentation Decisions

HoTARAC notes that there is no Specific Matter for Comment on section 5 of the CP: Relationship of the QCs to Presentation Decisions. HoTARAC has offered some comments on presentation decisions under Specific Matter for Comment 3, but given the QCs underpin the guidance in the CP, we consider this an issue on which the IPSASB should actively seek constituents' comments.

Specific Matter for Comment 1 (See paragraphs 2.1 to 2.18)

With respect to the descriptions of "presentation", "display", "disclosure", "core information", and "supporting information", and the proposed relationships between these terms:

- Do you agree that the proposed descriptions and relationships are appropriate and adequate?
- Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?

(a) Do you agree that the proposed descriptions and relationships are appropriate and adequate?

HoTARAC does not agree with the proposed relationships.

In HoTARAC's view the proposals are too arbitrary and do not provide sufficient justification for the approach taken.

Presentation, Display and Disclosure

HoTARAC considers the additional terminologies of presentation, display and disclosure are not necessary and may create confusion as the terms “presentation”, “display” and “disclosure” are not necessarily consistent with current practice. HoTARAC specifically notes that the descriptions are not consistent with paragraph 60 of IPSAS 1 *Presentation of Financial Statements* which states that disclosure is used in a broad sense to encompass items presented on the face of the primary statements and notes.

HoTARAC believes the conceptual basis for information in GPFs can be developed without the need to address the definition of the term “presentation”.

HoTARAC further notes that this potentially complicates the process of aligning IFRS and IPSAS as the term “presentation” may have different meanings to preparers and users under each Framework.

Core and Supporting Information

HoTARAC agrees in giving greater prominence to certain information in GPFs and supports the high level principle outlined in paragraph 2.6 that “Core information highlights key messages related to an information area and so is central to meeting the objectives of financial reporting and user needs.”

A minority of HoTARAC jurisdictions are of the view that the distinction between core and supporting information is particularly unclear for GPFs that are not GPFs, and at least one HoTARAC jurisdiction prefers the Alternative View of paragraph 2.19-2.20.

Paragraph 2.13 states that supporting information is as important as core information and HoTARAC believes this could be confusing. To clarify, HoTARAC suggests replacing this comment with “Supporting information is important to meet user needs...”

(b) Do you agree that identification of core and supporting information for GPFs should be made at a standards level rather than as part of the Conceptual Framework?

HoTARAC notes that IPSAS 1 *Presentation of Financial Statements* already includes information that should be shown on the face statements. While disagreeing with the terminology proposed in the CP, HoTARAC agrees that identification of specific “core” or “supporting information” should be provided at the standards level.

However, if the descriptions of “core” and “supporting” are to be used as high level principles, HoTARAC believes they need to be more clearly explained at the Framework level.

Specific Matter for Comment 2 (See paragraphs 3.1 to 3.12)

With respect to the IPSASB’s approach to presentation of information:

- (a) Do you agree with the development of presentation concepts that can be adopted for the more comprehensive scope for GPFs including, but not restricted to, financial statements?
- (b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?

(a) Do you agree with the development of presentation concepts that can be adopted for the more comprehensive scope for GPFs including, but not restricted to, financial statements?

Overall HoTARAC broadly agrees with the development of high-level concepts to be applied to the information contained in the broader definition of GPFs, subject to other comments provided in this submission. However, HoTARAC does not agree that the additional three presentation concepts, outlined in section 6, are high-level principles and hence they should not be part of the Framework. HoTARAC supports the view expressed in paragraph 3.8 that:

“QCs could guide presentation requirements and practice without interpretation, and the direct application of the QCs could be viewed as more reliable than use of an intermediate set of presentation concepts.”

Therefore, HoTARAC can see no reason for a QCs’ interpretation, which would likely create confusion in applying the QCs to the information included in GPFs. In HoTARAC’s view the QCs in themselves are sufficient to guide information included in GPFs. Section 5 of the CP appears to be more in the nature of guidance on the use of QCs, rather than being conceptual in nature and may be more appropriately located in an attachment to the Exposure Draft or delegated to a standard level.

In the instance that the Board decides to retain the additional terminology of “display”, “presentation” and “disclosure”, the majority of HoTARAC would recommend there be clear link between this and the division between core and supporting information. In particular, the presentation decision of where information should be located would appear to be clearly related to the prominence of “core information” (paragraph 2.6). As noted above, at least one HoTARAC jurisdiction supports the Alternative View of paragraphs 2.19-2.20 and does not consider the proposed distinction applies well to broader GPFs information.

The majority of HoTARAC views the presentation decisions of “what, where and how” are very useful. In particular Table 1: *Qualitative Characteristics and the Three Types of Presentation Decisions* generally clearly illustrates the relationships between the QCs and the GPFs information format. In HoTARAC’s view the table doesn’t adequately distinguish between the “where” and “how” decision types for the QC of comparability. At least one HoTARAC jurisdiction does not support the inclusion of this material in the Framework.

(b) Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?

(i) HoTARAC agrees on focussing on users needs in identifying presentation objectives, but notes the CP states presentation objectives will be determined at the standard level. HoTARAC recommends that high level concepts such as “core” vs “supporting” information or presentation objectives should only be included in the Conceptual Framework. The content of individual IPSAS should apply the high level principles to the specific topic of that IPSAS.

(ii) HoTARAC agrees with the application of QCs to presentation decisions as per comment above. As mentioned above, at least one jurisdiction does not agree with the presentation decision being in the Framework.

(iii) As noted in the response to (a) HoTARAC does not agree with the inclusion of the three separate presentation concepts, outlined in section 6, in the Conceptual Framework.

HoTARAC considers the material developed in respect of those presentation concepts and presentation techniques provides guidance in the application of the QCs to presentation. HoTARAC does not consider these to be conceptual in nature.

Specific Matter for Comment 3 (See paragraphs 4.1 to 4.5)

This CP discusses the importance of developing presentation objectives as part of standard setting.

- (a) Do you agree that presentation objectives should be developed?
- (b) If so, in your view, should they be developed at a standards level, or as part of the Conceptual Framework?

(a) Do you agree that presentation objectives should be developed?

HoTARAC agrees that high level presentation objectives should be developed. As noted in the response to the Phase 1, HoTARAC recommends consideration be given to the objective of financial reporting, as this will guide other objectives, such as those of presentation. Meeting the user needs is paramount. Based on the identified user needs, presentation objectives should be developed to guide the presentation decisions of “what, where and how”.

HoTARAC notes that the illustrative examples appear to refer to reporting objectives rather than presentation objectives.

The majority of HoTARAC, who support the CP’s proposed distinction between core and supporting information, suggests a better example of presentation objectives would be, based on the current format of financial statements and potential user needs:

- Presentation decisions of “What and Where”: To provide core information in a more prominent location (e.g. information presented in the profit or loss, balance sheet and cash flow statements) and at the appropriate level of disaggregation in the GPFR (e.g. the level of aggregation presented on the face of the statements and prominence of certain totals).
- Presentation decisions of “What and Where”: To improve the understanding of the information provided in the prominent location, to disclose explanation, context and more details of that information, in the notes to the financial statements or other supporting information in GPFRs, (e.g. notes disclosure to disaggregate some information presented in the statements and to provide measurement methods and accounting policies applied).
- Presentation decisions of “How”: Narrative to provide management discussion and analysis.

(b) If so, in your view, should they be developed at a standards level, or as part of the Conceptual Framework?

HoTARAC believes that high level reporting and presentation objectives should be included in the Framework.

Specific Matter for Comment 4 (See paragraphs 6.1 to 6.27)

This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether:

- (a) Any of these concepts should be excluded from the Conceptual Framework; and
- (b) The description of each concept could be improved and, if so, how.

As noted in the response to Question 1(a), HoTARAC does not agree with the development of these three presentation concepts in the Framework as these are simply interpretations of the QCs.

However, HoTARAC can see merit with this material and recommends it be included as guidance.

Specific Matter for Comment 5 (See paragraphs 6.1 to 6.27)

In addition to the three concepts proposed in Section 6, please provide your views on:

- (a) Whether there are further concepts that should be included in the Conceptual Framework; and
- (b) What those further concepts should be.

HoTARAC does not agree that the additional presentation concepts are conceptual in nature and, accordingly, does not agree that these should be included in the Framework. As stated above, HoTARAC views the QCs developed in Phase 1 of the Framework as sufficient.

As stated in the response to the previous Specific Matter for Comment, HoTARAC would support the use of this material as guidance. HoTARAC has no suggestion for further concepts at this stage.

Specific Matter for Comment 6 (See paragraphs 6.12, 6.17, 6.24, and 6.27)

Each presentation concept refers to the possibility of developing criteria to determine the presentation techniques to be used in setting accounting standards. Please provide:

- (a) Your views on whether it would be useful and workable for the IPSASB to apply such techniques; and
- (b) Any suggestions you have for developing these techniques.

HoTARAC does not agree with including the proposed presentation techniques in the Conceptual Framework.

As stated above, HoTARAC believes the QCs are sufficient to conceptually underpin the presentation concepts and the proposed criteria for presentation techniques are too detailed and prescriptive to be included in the Framework.

As noted above, HoTARAC believes the Framework should be restricted to high level principles and it is more important to specify high level presentation objectives and to distinguish between what is meant by core and supporting information.



August 15, 2013

Andreas Bergmann
Chair
International Public Sector
Accounting Standards Board
529 Fifth Avenue, 6th Floor
New York, NY 10017
USA

By electronic submission

Dear Mr. Bergmann,

**Conceptual Framework Exposure Draft 4: Conceptual Framework for
General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports**

The IDW would like to thank you for the opportunity to provide the International Public Sector Accounting Standards Board (IPSASB) with comments on the Conceptual Framework Exposure Draft 4: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (hereinafter referred to as "CF ED 4").

We fully support the work the IPSASB has undertaken in considering the issue of presentation at a conceptual level. Notwithstanding the concern we discuss below, in our view, the CF ED 4 contains helpful and appropriate material on presentation to guide the IPSASB in its future work.

Lack of Differences between the Public and Private Sectors

In line with our comment letter dated May 31, 2012 relating to the Consultation Paper on this Phase of the CF, we see no real technical justification for there to be significant differences between the private and public sectors in respect of presentation. In the afore-mentioned letter we had also cautioned against the use of different terminology without pressing reasons, since this could result in a degree of irritation. In each of our comment letters relating to the CF project, we

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GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamann, RA



page 2/3 to the comment letter to the IPSASB dated August 15, 2013

have urged the IPSASB to achieve appropriate liaison with the IASB before finalizing the CF; even if it would result in some delay to the original timetable.

As the IPSASB will now be aware, subsequent to the publication of CF ED 4, the IASB issued a discussion paper on its own conceptual framework (DP/2013/1). Section 7 thereof deals with presentation and disclosure. Although we have not compared CF ED 4 and Section 7 of the IASB's DP/2013/1 in detail, the two most significant differences appear to relate to the definition and application of key terminology and the conceptual nature of the two Boards' current proposals.

In respect of key terminology, the IASB is proposing to use the terms "presentation" and "disclosure" quite differently to their proposed application in CF ED 4. Furthermore, we note that although the IASB uses the term "display" elsewhere in DP/2013/1, it does not propose to use or define this term in Section 7. In contrast, according to paragraphs 1.2 and 1.3 of CF ED 4, presentation encompasses both display and disclosure, whereby displayed information communicates the key messages in a report and is distinct from disclosed information. The IPSASB has not identified any public sector specific differences that would necessitate different definitions or different application of the key terms mentioned above in respect of general purpose financial statements. However, we note that in BC7 of CF ED4 the IPSASB explains that in its view, the distinction between presentation and disclosure used in some jurisdictions is inadequate to address presentation concepts for general purpose financial reports.

We would particularly like to express our support for IPSASB's innovative thinking, which has led to the development of the three presentation decisions on selection, location and organization of information. In our view, this work constitutes a valuable contribution to the Conceptual Framework, which will guide standard setters and preparers in their respective responsibilities for financial reporting pertaining to the public sector. We note that the IASB's discussion paper is structured quite differently and does not take such a conceptual viewpoint.

The fact that the two Boards have followed different timetables and have adopted different approaches to their respective CF projects has precluded a high degree of liaison to date. Nevertheless, and whilst we acknowledge the IPSASB's intention that the CF Project is not a convergence project, we again urge the Board to ensure appropriate liaison with the IASB is achieved prior to



page 3/3 to the comment letter to the IPSASB dated August 15, 2013

finalization of the CF as a whole, such that significant conceptual differences between the two respective frameworks are due solely to specific differences in the public and private sectors.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours truly,

Klaus-Peter Feld
Executive Director

Gillian Waldbauer
Technical Manager

541/584

Comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF – ED4)

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Response

Yes. The proposed descriptions and the relationships appear to be appropriate and adequate. Notwithstanding it is proposed that paragraph 1.4 could be re-worded for simplification, for example, by omitting “disclosed” at the beginning of the paragraph and by providing an example of a disclosure.

Additionally, it is proposed that consideration be given to the separation of the requirements as per 1.6 (b) into two points as follows:

- b) A list of broad types of information that should be displayed;
- c) A list of broad types of information that should be disclosed.

It is felt that this change will enhance readability.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify them?

Response

Yes. The presentation decisions should enhance the reporting of general purpose financial reporting facilitating greater comprehension of the information, contributing to improved decision making by the user.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Response

Comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF – ED4)

Yes. The proposed approach to making presentation decisions is considered logical and adequately details criteria for consideration in this process.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

Response

- a) Yes. The description appears adequate and the text clearly conveys the key points for consideration in decisions on selection of information for inclusion in the financial statements.
- b) Yes. The description generally appears adequate, however, could perhaps be enhanced by the use of examples.

Two proposed amendments are set out below:

- In the first line of Paragraph 2.5, it is recommended that the words “*applied to*” be replaced with “*which are applicable to*”
- Similarly, in the second line of Paragraph 2.6, it is recommended that the words “*as applied to*” be replaced with “*which are applicable/relevant to*”

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Response

- a) Yes. The description appears adequate and the text appropriately conveys the role information location plays in financial reporting, and the key points for consideration in decisions on allocation of information to and within the financial statements.

Comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF – ED4)

- b) Yes. The description appears adequate and the text accurately conveys the key points for consideration in decisions on the allocation of information to and within other GPFRs.
- c) Yes. The description appears adequate and the text appropriately conveys the key factors for consideration in decisions about the allocation of information between different reports.

there is some concern about the text in the first sentence of the first paragraph as it is believed that location decisions, rather than impacting on information's relevance and verifiability, is more accurately described as being affected by these characteristics. It is therefore proposed that the sentence be amended to read ***"Location addresses/considers the qualitative characteristics of information's relevance, verifiability, understandability, faithful representation, and comparability"***.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

Response

- a) Yes. The description appears accurate and comprehensive.
- b) Yes. The description appears accurate and comprehensive.

In particular, the examples provided throughout this Section greatly enhance the understanding of the concepts being discussed.

Two recommended changes are set out below:

- Given the important role that referencing plays in the organization of GPFRs, it is recommended that this tool be specifically listed in Paragraph 4.2, even though it is mentioned later in the Section (Para. 4.7.). The proposed second sentence would read ***"Related information is linked through the use of consistent headings, presentation order, referencing, and other methods appropriate to the relationship and type(s) of information."***

Comments on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF – ED4)

- Since Paragraph 4.16 is relevant to both financial statements and other GPFRs, it should be relocated, perhaps as a paragraph under the introductory statements.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Response

CF-ED4 comprehensively addresses the concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities. To the extent that examples are provided to illustrate the concepts, these have been found to be very effective and it is suggested that examples be employed, wherever possible, to assist in the reader's interpretation/understanding of the guidance. However, it is also felt that the information contained in the ED could be organised in a more streamlined manner such that the guidance in each section addresses certain key points, presented in a consistent order. The key points should include responses to the following questions, inter alia:

- I. **What is information selection/location/organization?** It is considered useful to contextualize each section by starting with a basic definition of each of these concepts, as a standalone introductory subsection. For example ***"Selection is the determination of what information needs to be reported in the financial statements"*** or ***"Organisation is the arrangement, grouping and ordering of information within the financial statements using a variety of techniques and visual aids."*** While such a definition is currently included for information selection at the start of that Section, the additional information on what may be considered in making decisions on information selection appears to somewhat obscure the basic description. Basic definitions along these lines do not currently exist in relation to information location and information organization.
- II. **What are the main aims/objectives of information selection/location/organization?**
- III. **What are the factors relevant to decisions on information selection/location/organization (a) in the financial statements and (b) in**

**Comments on the Conceptual Framework for General Purpose Financial Reporting
by Public Sector Entities: Presentation in General Purpose Financial Reports (CF –
ED4)**

other GPFRs? This would include discussions on the levels at which such decisions occur, where applicable.

IV. What, if any, are the tools/methodologies/mechanisms utilised to ensure effectiveness of information selection/location/organization?



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Our ref KK/288

Contact Katja van der Kuij-Groenberg
Archie G Johnston

13 August 2013

Dear Ms Fox

ED – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

Summary Comments

We appreciate the opportunity to comment on the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') entitled *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (CF-ED4), dated April 2013. We have consulted with, and this letter represents the views of, the KPMG network.

Although we are generally supportive of the draft, we have identified specific matters that we believe merit further consideration. These follow below.

Overall Comments

Overall, we agree with the general guidance and approach proposed with respect to presentation in general purpose financial statements.

We note that the scope of the CF-ED4 appears broader compared with other parts of the IPSASB Conceptual Framework. For example, the conceptual framework on elements and recognition focuses on items appearing in financial statements, whereas CF-ED4 considers general purpose financial reports and contemplates reporting beyond the financial statements.



KPMG IFRG Limited
ED – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports
13 August 2013

As a result, applying the principles set out in CF-ED4 to non-financial or non-traditional reporting formats would be challenging and we believe that these require further consideration, including, where appropriate, the Board's direction that detail be supplied on specifics in the IPSAS standards themselves (e.g. IPSAS 1 *Presentation of Financial Statements*).

For example:

- How do we make the distinction between display and disclosure for non-financial information or non-traditional reporting formats?
- What is the nature of information about non-financial performance that a public sector entity should provide to users in order to meet the objectives of financial reporting in respect of "other GPFs"?

Our comments on the specific matters for comment are set out below.

Specific Matter for Comment 1

Do you agree with the proposed descriptions of "presentation", "display" and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?

We agree with the description of presentation.

We believe that it is important that the descriptions of display and disclosures are adequately distinguished. Two key features distinguishing these terms are prominence and level of detail. The key point missing from each description is the location. That is, displayed information appears on the face of the financial statements, or other primary statements in the case of other general purpose financial reports.

We note that the description of disclosed information states that disclosed information makes displayed information more useful [CF-ED4, 1.4]. The distinction between displayed information and disclosed information is important, given that the ED states that disclosure is not a substitute for display [CF-ED4, 1.5].

We suggest that the relationship between display and disclosure be clarified. There are a number of current disclosure requirements that state that information can be presented either on the face of the financial statements or in the notes, and we would encourage the detail of displayed and disclosed requirements at the IPSAS Standard level.

As CF-ED4 is currently drafted, it appears that disclosure items are precluded from being presented on the face of the financial statements. If this is the intent, then we suggest that this be clarified. In general, we agree with this approach on the basis that the information displayed on the face of the financial statements should be that necessary to communicate the key messages to users and therefore should avoid excess detail. However, as noted, this approach would result in a change from current practice; so it is important to be clear about this point.



KPMG IFRG Limited
ED – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports
13 August 2013

We suggest location be included more clearly as a key feature in the descriptions of display and disclosure. For example:

Displayed information is presented prominently on the face of the financial statements, or other primary statements or reports, using appropriate...

We note that the distinction between display and disclosure is relatively clear for traditional financial statements. However, it is more difficult where less traditional or less formal primary statements or reports are prepared.

We note that the relationship between recognition and display is discussed in Section 3. However, we believe that it would be useful to clarify the relationship between “display” and “recognition” as part of the definition or discussion on display earlier in the document. For example, “The information displayed on the face of the financial statements will provide a structured overview of items recognised as part of the reporting entity’s financial position, financial performance and cash flows”.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in Section 1? If not, how would you modify the identification of presentation decisions?

We agree with the identification of the three presentation decisions.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

The principle that guides such decisions is the users’ information needs and we agree that this principle should drive presentation decisions.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of information selection in the financial statements.

The description in respect of “other GPFRs” (para 2.5) is very brief. We understand that it is difficult, given the broad range of subject matters that could be covered in other GPFRs.



KPMG IFRG Limited
ED – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports
13 August 2013

However, we suggest that this discussion be expanded to focus on the key principles that should drive information selection for these other GPFRs.

For example, user needs would generally require selection of information that enables users to:

- understand why the reported subject matter is important, and what the objectives of reporting such information are;
- understand the activities reported and the key components of such activities;
- understand an entity's objectives in undertaking a certain activity and a measure of the level of achievement;
- assess how such achievement compares with any projected levels of achievement;
- assess how well an entity has met its non-financial objectives.

We agree with the discussion on selection decisions for detailed information within a GPFR [CF-ED4, 2.6 – 2.10]. In our experience, reporting has generally become more voluminous and more complex. These features often make it more difficult for users to identify the more important information that is essential to understanding and appreciating all of the information provided, and therefore may impede the ability to make decisions or hold entities to account.

Establishing principles for standard setters, preparers and auditors to consider in making decisions about the level of detail to be included in GPFR is welcomed.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;*
- (b) In other GPFRs; and*
- (c) Between different reports within GPFRs?*

If not, how would you modify the description(s)?

We agree with the description of information location as set out in Section 3.

We do not believe that location has an impact on information's verifiability, understandability or representational faithfulness [CF-ED4, 3.1]. For example, information is assessed by considering user needs, not where that information happens to be located within a GPFR. Relevance will be a factor in determining whether information is included in a GPFR. We would expect that the more relevant the information is, the more prominently it would be presented. The key QCs that location may impact are understandability and comparability.



KPMG IFRG Limited
ED – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports
13 August 2013

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

(a) In the financial statements; and

(b) In other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of information organization as set out in Section 4.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We believe that CF-ED4 contains sufficient detail on the concepts applicable to presentation of financial statements.

However, we believe that the concepts are not as fully developed as they need to be in respect of non-financial information.

Please contact Archie Johnston (email: agjohnston@kpmg.ca or by phone at +1 (0) 604 527 3757), Peter Greenwood (email: pgreenwood@kpmg.ca or by phone at +1 (0) 604 691 3187, Mark Jerome (email: mjerome@kpmg.com or by phone at +856 (0) 20 7808 3399) or Katja van der Kuij-Groenberg (email: Katja.VanDerKuij-Groenberg@kpmgifr.com or by phone at +44(0) 20 7694 8871) if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited

15 August 2013

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
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Email: stepheniefox@ipsasb.org

Dear Stephenie

**SAICA SUBMISSION ON THE IPSASB CONCEPTUAL FRAMEWORK
PROJECT – PHASE 4- PRESENTATION IN GENERAL PURPOSE
FINANCIAL REPORTS**

In response to your request for comments on the *IPSAS's Conceptual Framework Project – Phase 4 Presentation in General Purpose Financial Reports*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Mohammed Lorgat CA(SA)
Project Director– Public Sector

cc: Hadley Francis (Chairman of the Public Sector Committee)
PSC members

SAICA SUBMISSION ON THE IPSASB CONCEPTUAL FRAMEWORK PROJECT-PHASE 4 - PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

RESPONSES TO THE SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display” and “disclosure” and the relationships between them in Section 1? If not how would you modify them?

Response:

Yes, we agree with the proposed descriptions of “presentation”, “display” and “disclosure”. We also support the relationship between presentation, display and disclosure as detailed under section 1.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not how would you modify the identification of presentation decisions?

Response:

Yes, we agree with the three presentation decisions identified as we believe that financial information to be presented in the financial statements and GPFRs should be selected based on the qualitative characteristics, and that this information should be located, displayed and organised in way that ensures complies with the reporting framework and that the key messages in the GPFRs is understandable to the users.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not how would you modify it?

Response:

Yes, we do agree with proposed approach to making presentation decisions in Section I and do not have any further comments.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- a) In the financial statements; and*
- b) Within other GPFRs?*

If not, how would you modify the description(s)?

Response:

Yes, we agree with the description of information selection in the financial statements and within other GPRGS as detailed under Section 2 as we believe that:

- a) *For financial statements:* user needs includes the need to provide financial information for financial reporting purposes which should assist users in assessing the extent to which revenues, expenses, cash flows and financial results of the entity comply with the estimates reflected in approved budgets, and the entity’s adherence to relevant legislation or other authority governing the raising and use of public monies and determining how well a public sector entity has met it financial objectives.

SAICA SUBMISSION ON THE IPSASB CONCEPTUAL FRAMEWORK PROJECT-PHASE 4 - PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

- b) *For other GPRFS*: user needs should be addressed by a particular report resulting in sufficient information being selected to meet the objectives of financial reporting.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- a) *In the financial statements;*
b) *In other GPFRs; and,*
c) *Between different reports within GPFRs?*

If not, how would you modify the descriptions?

Response:

Yes, we do agree with the description of information location in Section 3 because we believe that the location of information has an impact on the qualitative characteristics.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- a) *In the financial statements; and*
b) *In other GPFRs?*

If not, how would you modify the description(s)?

Response:

Yes, we do agree with the description of information organisation. We believe that by organising information as described in Section 4, the qualitative characteristics of information, as described in the exposure draft are achieved.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs including the financial statements of governments and other public sector entities? If not how would you extend the proposals?

Response:

Yes, we do agree that the CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs including financial statements of governments and other public sector entities as it is also linked to the Chapters 1 to 4 of the Conceptual Framework, exposure drafts that discusses the definition and recognition of elements and measurement.

Paragraph BC 22 and BC 23 states, the ED will not attempt to identify a list of information that should be included in the financial statements. Although we agree with the reason that the ED should avoid over-specification so that the *Conceptual Framework* description of presentation concepts applicable to financial statements will remain relevant as changes occur, we believe that the ED should allow the various countries to develop their own financial statements templates which will assist in when consolidating own countries' public sector financial statements.



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16 August 2013

Ms Stephenie Fox
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Dear Ms Fox

IPSASB Exposure Draft Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on the above named Exposure Draft (ED). In formulating its comments, the AASB considered the views received from Australian constituents.

General Comments

The AASB's general comments on the IPSASB ED are very similar to those made in the AASB's submissions (dated 15 May 2013 and 3 June 2013) on the IPSASB Conceptual Framework EDs *Elements and Recognition in Financial Statements* and *Measurement of Assets and Liabilities in Financial Statements*, as they are generally pertinent to the IPSASB's Conceptual Framework project in its entirety.

Due process

The AASB recommends that the IPSASB issues an omnibus ED incorporating its proposed Conceptual Framework after it has redeliberated all of its Conceptual Framework EDs, rather than finalising its Conceptual Framework without further consultation. An omnibus ED would enable the IPSASB's constituents to comment on the IPSASB's latest thinking on all of its proposals in its Conceptual Framework project, and to have regard to recent developments in financial reporting (including developments in the Conceptual Framework project of the International Accounting Standards Board [IASB]). This would enable the IPSASB's constituents to gain a holistic perspective together with greater context, and this should facilitate both internal consistency within the IPSASB's Conceptual Framework and either alignment with, or understanding of reasoning for differences from, the IASB Conceptual Framework.

IPSASB Conceptual Framework ED on Presentation – AASB submission

Subsequent review and update of the IPSASB Conceptual Framework

The AASB recommends that the IPSASB should regard its Conceptual Framework as a living document, and thus should commit to reviewing and updating it from time to time in light of subsequent developments in financial reporting. The timing of such reviews should reflect the IPSASB's resources and priorities, and developments in conceptual thinking. Such developments would include any changes in thinking about concepts occurring in the development of recent IPSASs, in addition to developments in Conceptual Frameworks of other standard setters. This approach would be particularly beneficial, for example, in respect of concepts of presentation and disclosure. The AASB considers that thinking on these concepts is still in the early stages of development, on the part of the IPSASB, the IASB and the international financial reporting community generally. Therefore, it seems likely that thinking on concepts of presentation and disclosure will continue to evolve further. Under circumstances such as these, it is important not to treat the IPSASB Conceptual Framework as an immutable document. Specific comments on the importance of revisiting the topics of presentation and disclosure in the IPSASB Conceptual Framework are set out further below in this letter.

Relationship between the IPSASB and IASB Conceptual Framework projects

The AASB recommends that the IPSASB maximises its liaison with the IASB regarding those Boards' respective Conceptual Framework projects, in the context of the Memorandum of Understanding between the International Federation of Accountants and the IASB dated 22 November 2011.

Ideally, the IPSASB and IASB Conceptual Frameworks would be complementary, where the only differences are those warranted by differences in circumstances. This would support the development of IPSASs and International Financial Reporting Standards (IFRSs) that differ only where necessary to deal with different economic phenomena. This approach is also likely to assist users of general purpose financial reports (GPFRs) who read financial reports across all sectors in the economy, which is important given the fundamental objective of general purpose financial reporting to meet users' information needs.

In relation to presentation and disclosure in particular, the AASB's encouragement of complementary concepts of the IPSASB and IASB is premised on the assumption that the IASB develops comprehensive concepts for presentation and disclosure, either within its current Conceptual Framework project or in revisiting those topics as conceptual thinking evolves.

The AASB's arguments in relation to the IPSASB ED in this submission are mainly focused on technical issues, and not primarily on whether the IPSASB's proposals are consistent with the tentative thinking of the IASB in its Conceptual Framework project.

Specific Comments

The AASB's most significant specific comments regarding the issues in the ED are set out below and elaborated on in Appendix A.

IPSASB Conceptual Framework ED on Presentation – AASB submission

Conditional support for the proposed Presentation chapter of the IPSASB Conceptual Framework

The AASB congratulates the IPSASB for addressing the topic of presentation without the assistance of a well-developed standard setting literature on the topic, and for producing an ED that is well-structured and concise.

As explained previously, the AASB considers that the ED should be regarded as an evolutionary document and therefore should only form the basis of a Conceptual Framework chapter on Presentation if the IPSASB commits to reviewing and updating that chapter on a timely basis in light of the outcomes of various international projects on presentation and/or disclosure currently in progress (including the IASB's work on concepts for presentation and disclosure as part of its Conceptual Framework project). An IPSASB chapter based on the ED should be considered as an interim stage of the IPSASB's concepts on Presentation, because the ED does not include sufficient principles that would be useful in answering the Presentation questions the ED identifies. These comments are elaborated on below.

Adequacy of proposed principles

Although the IPSASB Conceptual Framework indicates its role is primarily to set out concepts that the IPSASB will apply in developing IPSASs and Recommended Practice Guidelines (RPGs), the ED does not appear to contain sufficient principles to assist the IPSASB in making decisions about presentation, display or disclosure in the development or review of IPSASs and RPGs.

The principles in the ED seem to essentially be limited to those set out elsewhere in the finalised and proposed chapters of the IPSASB Conceptual Framework. The AASB considers that the finalised chapter on Presentation should indicate which parts of its content are simply consequences of other chapters of the IPSASB Conceptual Framework and which parts (if any) cover new or separate aspects.

The AASB observes that international debate about the subject matter of the IPSASB ED is emerging and largely undeveloped. In this regard, in May 2013 the IASB issued a Feedback Statement (entitled *Discussion Forum—Financial Reporting Disclosure*) noting:

- (a) the current projects of eight accounting bodies (or similar entities) [including the IASB, European Financial Reporting Advisory Group, US Financial Accounting Standards Board, the Institute of Chartered Accountants of Scotland and the New Zealand Institute of Chartered Accountants] dealing with presentation, display, disclosure and materiality, chiefly at a framework level; and
- (b) the undeveloped nature of both the accounting literature and the international debate, regarding this general topic.

Another development with potential implications for the international debate regarding Presentation (and also for other parts of Conceptual Frameworks) is an Essay on a Disclosure and Presentation Framework published by the AASB on 14 August 2013 (copy attached). The essay contends there is a gap in the conceptual framework that, if filled,

IPSASB Conceptual Framework ED on Presentation – AASB submission

would improve our ability to provide accounting responses to users' needs, including through the development of a better, purpose-driven disclosure and presentation framework. The essay contends there are a limited number of generic types of information, termed "stocks" and "flows", that characterise all types of entities to one degree or another. The essay contends the gap in the framework falls between the objective level and the lower levels. Both the objective and the stocks and flows identified are part of entities' environments. The selections of qualitative characteristics, elements, measurement bases and presentation/disclosure approaches are seen as accounting responses aimed at satisfying users' needs for information for decision making (the "objective"). Specification of the relevant stocks and flows could also bring meaning to "financial position" and "performance", and potentially provide a way to define financial reporting, bounding it by the generic stocks and flows identified.

The AASB is not aware of any public sector specific considerations that would reduce the usefulness of the above-mentioned international debate in assisting the IPSASB to develop a more comprehensive revised chapter on Presentation for its Conceptual Framework.

For these reasons, the AASB strongly encourages the IPSASB to announce that, in view of the emerging but largely undeveloped international debate about presentation, it will review and update its Presentation chapter on a timely basis in light of the outcomes of various international projects on presentation and/or disclosure currently in progress. In addition, the AASB strongly encourages the IPSASB to participate in that debate.

Terminology

The AASB considers that, to avoid confusion and unnecessary change, 'presentation' should not be the overarching term that encompasses the selection, location and organisation of information in a GPFR. Instead, the AASB considers that either 'display' or 'disclosure' (whichever is more generally accepted) should be used, as these are more descriptive of the underlying notions in the ED. (Despite this view, this submission refers to the chapter on 'Presentation', for consistency with the IPSASB ED's expression.)

These comments are elaborated on below, and further in the AASB's response to Specific Matter for Comment 1 in Appendix A.

Distinction between 'display' and 'disclosure'

The AASB is pleased to note that the IPSASB has responded to the concern expressed by the AASB and others, regarding the IPSASB's Consultation Paper (CP) on Presentation, that 'core information' (i.e. information shown on the face of a financial statement) should not be treated as more important than 'supporting information' (i.e. information shown in a note). However, the AASB considers that the IPSASB has responded to that concern in an ambiguous manner. This is explained in the comments on Specific Matter for Comment 1 in Appendix A.

The AASB considers that the IPSASB Conceptual Framework chapter on Presentation should clarify more effectively than in the ED that, in serving the objective of financial reporting:

IPSASB Conceptual Framework ED on Presentation – AASB submission

- (a) some information in a GPFR is more critical than other information;
- (b) how information is displayed can affect its interpretation by users; and
- (c) information shown on the face of a financial statement is not necessarily more critical than information shown in a note.

The AASB's responses to all of the specific matters for comment in the ED are set out in Appendix A.

If you have any queries regarding matters in this submission, please contact me or Jim Paul (jpaul@aasb.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. M. Stevenson'.

Kevin Stevenson
Chairman and CEO

IPSASB Conceptual Framework ED on Presentation – AASB submission

APPENDIX A

AASB's response to the Specific Matters for Comment on the ED

Specific Matter for Comment 1

Do you agree with the proposed descriptions of 'presentation', 'display' and 'disclosure' and the relationships between them in Section 1? If not, how would you modify them?

Summary

- 1 The AASB disagrees with the proposed descriptions of 'presentation', 'display' and 'disclosure' and the relationships between them in Section 1. In particular, the AASB considers that:
 - (a) 'presentation' should not be an overarching term; instead, 'display' or 'disclosure' (whichever is more generally accepted) would be a better term for that role; and
 - (b) the draft Framework chapter on Presentation should clarify that information shown on the face of a financial statement is not more important than information shown in the notes to the financial statements.

These aspects and related concerns are elaborated on in paragraphs 2 – 14 below.

Terminology

- 2 Consistent with the comments in the AASB's submission on the IPSASB's Presentation CP, the AASB does not support the ED's proposed meanings of 'presentation', 'display' and 'disclosure'. The AASB considers that, instead of giving 'presentation', 'display' and 'disclosure' the meanings in the ED, ideally 'display' should be used as the term encompassing the structure of financial reports, the nature and amount of information disclosed in financial reports and the manner in which those disclosures are presented. Furthermore, the AASB is of the view that it should be unnecessary to define 'presentation' and 'disclosure'. The AASB considers that the plain English meaning of 'display' seems appropriate for this part of the Conceptual Framework, and that 'display' has the advantage of less connotations relating to particular aspects of practice.
- 3 The AASB notes that the IASB's Discussion Paper DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting* (July 2013) refers to 'disclosure' and 'presentation'. The IASB DP describes 'disclosure' as "the process of providing useful financial information about the reporting entity to users" (paragraph 7.11) and 'presentation' as "the disclosure of financial information on the face of an entity's primary financial statements" (paragraph 7.10). Thus, the IASB DP treats 'disclosure' as an overarching term.

IPSASB Conceptual Framework ED on Presentation – AASB submission

- 4 The AASB presently intends to express disagreement, in its submission on the IASB DP, with using ‘disclosure’ (rather than ‘display’) as an overarching term. However, because the AASB would not consider ‘display’ to be a fundamentally superior term to ‘disclosure’, if the IASB were to confirm the preliminary view in its DP that ‘disclosure’ should be used as an overarching term, the AASB would consider it more important that the IPSASB’s and IASB’s terminology is consistent than for the IPSASB to use ‘display’ as an overarching term. Moreover, the AASB would prefer either of these terms to ‘presentation’ as an overarching term.

Distinction between ‘display’ and ‘disclosure’

- 5 The AASB considers that, in serving the objective of financial reporting:
- (a) some information in a GPFR is more critical than other information for assessing an entity’s condition and prospects and the rendering of its accountability. Effective communication of financial information to users of financial reports requires more critical information to be displayed in a manner that assists users to identify its importance;
 - (b) how information is displayed can affect its interpretation by users. For example, academic research has found that disclosure in notes will not remedy non-recognition or poor recognition of elements of financial statements; and
 - (c) information shown on the face of a financial statement (either separately or within a total) is not necessarily more critical than information shown in a note. For example, whether information about an item is shown on the face of a financial statement will depend on matters such as:
 - (i) whether the item itself meets the definition and recognition criteria for an element of financial statements. For example, information about an event (e.g. the commencement of legal proceedings against the entity) might be disclosed only in the notes because the event does not give rise to an element of financial statements that qualifies for recognition (e.g. a liability), but might nonetheless be one of the most critical items of information in the entity’s GPFR; and
 - (ii) the nature of the information about that item, regardless of whether that item is recognised in the financial statements. For example:
 - (A) some critical information about an entity might be about the entity’s legal or economic environment, such as a change in laws affecting the entity’s future operations, rather than an element of financial statements;
 - (B) critical disclosures about measurement uncertainties and of a sensitivity analysis might need to be made in notes due to their volume and complexity; and

IPSASB Conceptual Framework ED on Presentation – AASB submission

- (C) some accounting policies adopted and judgements made in applying accounting policies might be critically important information for users of an entity's financial report.
- 6 In relation to paragraphs 5(a) and 5(b) above, how information is displayed (and, in particular, how more critical information is distinguished from other information) can affect its interpretation by users – but this is a more complex and nuanced issue than merely a dichotomy between 'display' and 'disclosure' (as those terms are used in the IPSASB ED). The IPSASB ED's heavy emphasis on the distinction between 'display' and 'disclosure' risks being interpreted as implying information shown on the face of a financial statement is more critical than information shown in a note (see also the comments in paragraphs 7 – 14 below).
- 7 The AASB considers that the IPSASB Conceptual Framework chapter on Presentation should clarify the aspects in paragraph 5 above more effectively than in the ED. In particular, in relation to the point in paragraph 5(c) above, the AASB:
- (a) is pleased to note that the IPSASB has responded to the concern expressed by the AASB and others, regarding the IPSASB's CP on Presentation, that 'supporting' information should not be treated as less important than 'core' information; but
 - (b) considers that the IPSASB has responded to that concern in an ambiguous manner. This is explained in the comments in paragraphs 8 – 13 below; and
 - (c) notes that the point in paragraph 5(c)(i) above is acknowledged in paragraph BC4 of the Basis for Conclusions on the IPSASB ED, but considers that it should be expressed more prominently in the Presentation chapter of the IPSASB Conceptual Framework.

Ambiguity regarding the distinction between 'display' and 'disclosure'

- 8 The Basis for Conclusions on the ED says:
- “The need to distinguish the display and disclosure of information is a further important aspect of the IPSASB's overall approach to presentation.”
(paragraph BC14, first sentence)
- 9 However, the Basis for Conclusions does not explain why this distinction is important, and the ED does not seem to provide clear criteria for making that distinction. The AASB is concerned that the ED might be read as implying that all key information is displayed on the face of the appropriate financial statement, and other information (disclosed in the notes) merely makes that key information more useful. Such an interpretation would be similar to how some respondents (including the AASB) interpreted the IPSASB's CP on Presentation as indicating that 'supporting' information is less important than 'core' information.
- 10 The AASB notes that, regarding the IPSASB's reassessment of its preliminary view in its CP regarding 'core' and 'supporting' information, paragraph BC9 of the IPSASB's Basis for Conclusions on its ED says:

IPSASB Conceptual Framework ED on Presentation – AASB submission

“...There was no intention to imply that supporting information is less important than core information. ... the terms core information and supporting information have not been retained and the descriptions of display and disclosure have been revised to explain what types of information would be displayed and what disclosed, without the implication that one type of information is more important than the other.”

- 11 The AASB supports the removal of the distinction between ‘core’ and ‘supporting’ information and the statement in paragraph BC9 that displayed information is not more important than disclosed information. However, the AASB is concerned that these messages are clouded by the following comments in the IPSASB ED:

“Information selected for display communicates *the* key messages in a GPFR.” (paragraph 1.3, first sentence, emphasis added); and

“Disclosed information makes displayed information more useful, by providing detail that will help users to understand the displayed information ...” (paragraph 1.4, first sentence).

- 12 The AASB notes that the statement in paragraph 1.3 of the ED that information selected for display communicates *the* key messages in a GPFR might be interpreted—inconsistently with paragraph BC9—as indicating that all key information is presented on the face of a financial statement.
- 13 In addition, the comment in paragraph 1.5 (second sentence) of the ED that “Disclosure is not a substitute for display” merits clarification. Possibly, the statement is intended to rephrase the principle in paragraph 7.2 of the IPSASB ED on ‘Elements and Recognition’ (November 2012) that disclosure is not a substitute for recognition (which the AASB supports – see paragraph 5(b) above). However, it could also be read as implying displayed information is more important than disclosed information, particularly if the reader does not read the much later comment in paragraph BC9 (quoted in paragraph 10 above).
- 14 The AASB considers it is important that the IPSASB clarifies the matters discussed in paragraphs 5 – 13 above, and that, in this regard, it would be useful to include the clarifying comments in paragraph BC9 in paragraph 1.6 of the ED, to put paragraphs 1.3 – 1.5 of the ED in context.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organisation) in Section 1? If not, how would you modify the identification of presentation decisions?

- 15 The AASB supports the identification of the three presentation decisions (selection, location and organisation) in paragraphs 1.8 – 1.10 of Section 1. However, as noted in paragraphs 2 – 4 above, the AASB considers that these decisions would more appropriately be collectively described as ‘display decisions’ (where ‘display’ has a

IPSASB Conceptual Framework ED on Presentation – AASB submission

broader meaning than that attributed to it in the IPSASB ED), subject to whether the IASB confirms the preliminary view in its Conceptual Framework DP that ‘disclosure’ should be used as an overarching term.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

- 16 The AASB supports the strong emphasis in Section 1 on striving to meet the objective of financial reporting when making presentation decisions. As the Essay on a Disclosure and Presentation Framework published by the AASB (referred to earlier in this submission) argues, there is a gap in the conceptual framework between the objective level and the lower levels. Filling that gap is necessary to flesh out the objective and, among other things, serve as a basis for developing principles for the presentation level of a Conceptual Framework. Therefore, whilst the AASB agrees that the starting point for presentation decisions is the objective of financial reporting, it considers there is much work to be done to support meeting that objective. In this regard, the AASB notes the apparent lack of guidance in Section 1 (and elsewhere in the ED) on how the IPSASB would use the draft Presentation chapter to make presentation decisions in the development or review of IPSASs and RPGs.
- 17 It is unclear to the AASB how this Specific Matter for Comment fundamentally differs from Specific Matter for Comment 1 (which also addresses key aspects of Section 1 of the ED). As mentioned in its comments on Specific Matter for Comment 1, the AASB considers that the IPSASB Conceptual Framework chapter on Presentation should clarify more effectively than in the ED that, in serving the objective of financial reporting:
- (a) some information in a GPFR is more critical than other information;
 - (b) how information is displayed can affect its interpretation by users; and
 - (c) information shown on the face of a financial statement is not necessarily more critical than information shown in a note.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

- 18 The AASB’s primary concern regarding Section 2 on information selection is that it does not seem to meet the IPSASB’s stated objective of providing criteria that would be useful for the IPSASB in developing or reviewing requirements (or

IPSASB Conceptual Framework ED on Presentation – AASB submission

guidance) on information selection in IPSASs or RPGs (see comments on page 3 of this submission).

- 19 Based on Section 2, it would appear that decisions about information selection are to be made largely (if not completely), in effect, by considering other finalised and proposed chapters of the IPSASB Conceptual Framework. For example, paragraph 2.10 of the ED seems essentially to repeat the qualitative characteristics (QCs) in the QCs chapter of the IPSASB Conceptual Framework (January 2013). The AASB considers that the finalised chapter on Presentation should indicate which parts of its content are simply consequences of other chapters of the IPSASB Conceptual Framework and which parts (if any) cover new or separate aspects.
- 20 In addition, the AASB considers paragraph 2.1(c) to be confusing and potentially circular. Did the IPSASB intend indicating that an entity should consider information reported by that entity in other, limited-purpose, GPFRs (e.g. detailed financial reports on long-term sustainability of an entity's finances)? The AASB recommends that the IPSASB clarifies its intended meaning in paragraph 2.1(c).

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (b) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

- 21 The AASB's primary concern regarding Section 3 on information location is that it does not seem to meet the IPSASB's stated objective of providing criteria that would be useful for the IPSASB in developing or reviewing requirements (or guidance) on information location in IPSASs or RPGs (see comments on page 3 of this submission).
- 22 The AASB also notes that paragraph 3.3(c) says a factor affecting information location is any jurisdiction-specific factors such as legal provisions. The AASB is concerned that, without clarification, that comment could be interpreted as giving conceptual endorsement to jurisdiction-specific laws even if they are incompatible with the IPSASB's Presentation concepts. The AASB recommends clarifying in the IPSASB Framework that this would not be the case.

Specific Matter for Comment 6

Do you agree with the description of information organisation in Section 4:

- (c) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

IPSASB Conceptual Framework ED on Presentation – AASB submission

- 23 The AASB's primary concern regarding Section 4 on information organisation is that it does not seem to meet the IPSASB's stated objective of providing criteria that would be useful for the IPSASB in developing or reviewing requirements (or guidance) on information organisation in IPSASs or RPGs (see comments on page 3 of this submission).

Specific Matter for Comment 7

Do you consider that CF—ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

- 24 Consistent with its comments above on Specific Matters for Comment 4, 5 and 6, the AASB considers that the IPSASB ED does not contain sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities to meet the IPSASB's stated objective of providing criteria that would be useful for the IPSASB in developing or reviewing requirements (or guidance) on information selection, location and organisation in IPSASs or RPGs. Because of the early stage of development of the international debate on presentation and disclosure, the AASB does not propose particular additional or different conceptual guidance. Instead, the AASB strongly encourages the IPSASB to announce that, in view of the emerging but largely undeveloped international debate about presentation, it will review and update its Presentation chapter on a timely basis in light of the outcomes of various international projects on presentation and/or disclosure currently in progress. In addition, the AASB strongly encourages the IPSASB to participate in that debate.



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AASB Essay 2013-1

Rethinking the Path from an Objective of Economic Decision Making to a Disclosure and Presentation Framework

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August 2013



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Rethinking the Path from an Objective of Economic Decision Making to a Disclosure and Presentation Framework

Synopsis

In this essay it is contended there is a gap in the conceptual framework that, if filled, would improve our ability to provide accounting responses to users' needs, including through the development of a better, purpose-driven disclosure and presentation framework. The thesis is that there are a limited number of generic types of information, termed stocks and flows, that characterise all types of entities to one degree or another.

The essay contends that the gap in the framework falls between the objective level and the lower levels. Both the objective and the stocks and flows identified are part of entities' environments. The selections of qualitative characteristics, elements, measurement bases and presentation/disclosures approaches should be seen as accounting responses aimed at satisfying users' needs for information for decision making (the "objective").

Specification of the relevant stocks and flows could also bring meaning to "financial position" and "performance", as well as potentially providing a way to define financial reporting, bounding it by the generic stocks and flows identified.

Introduction¹

Financial reporting can be characterised as a relatively young information science that aims to provide the users of financial reports with information that faithfully depicts the economic condition² of an entity and enables users to assess that condition and changes in it. In doing so, the purpose is to help those users to make decisions about the allocation of scarce resources to an entity and within an entity; that is, whether to make, or cause to be made³, new allocations, or to confirm those of the past.⁴

It is often contended that, for users to be able to make such decisions, they need information that helps them assess the amount, timing and uncertainty of future cash flows. Indeed, this is stated in paragraph OB3 of Chapter 1 of the IASB's revised Conceptual Framework⁵. It is further contended that the various types of users, in both the private and public sectors, have common information needs for such information, albeit for several types of decisions about the allocation of scarce resources.

¹ The author acknowledges the very useful input received from Robert Keys, Angus Thomson, Jim Paul and other staff of the AASB, as well as Warren McGregor, Mike Bradbury and members of the Accounting Standards Special Interest Group of the Accounting and Finance Association of Australia and New Zealand.

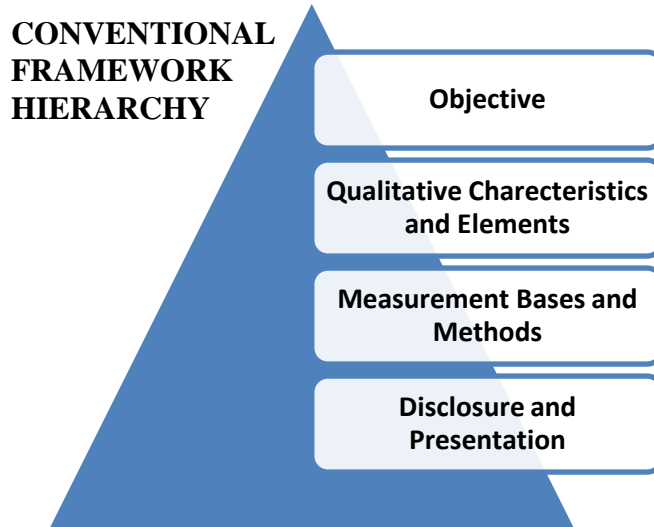
² The phrase "economic condition" used here is purposefully broad; to be filled out by the essay as it goes. Readers please bear with me.

³ This is intentionally wide, covering both the prospect of changing a party's direct interest and influencing the decision making of those governing an entity.

⁴ This essay does not explore accountability as an objective of financial reporting. Rather it uses that term to mean the responsibility of preparers to provide information that is useful for economic decision making.

⁵ IASB *Conceptual Framework for Financial Reporting*, September 2010.

We have become accustomed to a view of the resulting conceptual framework as depicted below:



The IASB's Framework goes on to say, in paragraph OB4, that "to assess an entity's prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about the resources of the entity, claims against the resources of the entity, and

how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources." The connection made between users' needs and the characteristics of the entity is not explored in depth. Indeed, in this essay it is contended that there is a missing link in the Framework between the objective and the lower reaches of the Framework. This means that when the IASB or others try to provide accounting responses to satisfy users' needs they do not always have guidance from the Framework on which to depend. This doesn't bode well for determining a disclosure and presentation framework.

For much of the history of accounting standards, debates have been bound up primarily in recognition and measurement, often on a topical basis (for example, leases, revenue, financial instruments). Along the way we have accumulated a large body of required, but somewhat un-rationalised⁶, disclosures mostly stemming from expounding on recognised items in balance sheets, income statements and cash flow statements. In more recent times, we have seen a trend towards adding risk disclosures, consistent with the idea of conveying information about uncertainty. We have also seen a rise in the importance attached to business models, which has tended to bring new disclosures, sometimes promising increased relevance and sometimes exhibiting nervousness about depending on a less than defined notion that could mean different things to different people or perhaps be manipulated.

Our current disclosure regime might be characterised as largely, though not exclusively (for the reasons mentioned above), topically driven. Within each topic, we have, to one degree or another, increasingly tried to draw out information about cash flow implications (for example, the requirements for maturity analyses for financial and non-financial liabilities). Our approach to presentation has not been explicitly linked to a logic that might also drive disclosure. Rather, it has been characterised by minimum required line items, somewhat stilted formatting and limited ordering principles (for example, use of liquidity order).

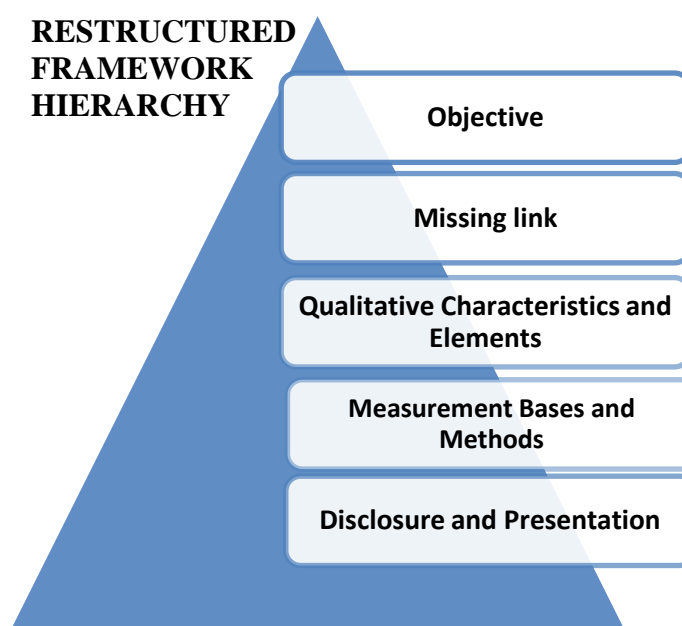
⁶ In the sense we have not seen a comprehensive review of disclosures based on explicitly rendered principles.

Early in its life as a workshop draft, this essay questioned whether accumulating information in that manner was appropriate and whether we would be better served to think about the possible purposes of different types of information and how those purposes might relate to the decision making of users. The essay was intended to discern the principles that might be included in the conceptual framework to cover disclosure and presentation. As time went on and various commentators raised questions, it became clear that the focal point of the essay should be the identification of the characteristics of entities with which users would need to be concerned in order to make decisions about allocating scarce resources.

This focus is about the “economics of the entity” that need to be considered before coming to any accounting constructs or responses. And it is a focus that should drive all such constructs and responses, not just disclosure and presentation. Accordingly, the essay is more about the generic characteristics of entities that should be identified before we think about qualitative characteristics, elements or measurement concepts.

In essence, the essay says we have been glib about economic decision making and too ready to accept somewhat unexplored phrases such as “the amount, timing and uncertainty of cash flows”. The essay does not decry information about the amount, timing and uncertainty of such flows. Rather, it calls for identification of the generic characteristics of entities that will enable users to understand the significance of that information at understandable levels of aggregation and classification.

The informational abstractions we do mention in relation to existing financial statements include “financial position” and “results for a period”. Sometimes we might mention amounts that are connected with financial analysis, such as “performance”, “free cash flow”, “underlying earnings” and, as indicated above, in quite recent times, exposures to various forms of risk. However, we are vague in the use of most of these terms and readers might well ask “what are you really trying to tell us?” Critically, there has been little explicit connection between the accounting constructs and responses and what might be expected to be deduced from them. Accordingly, in addition to there being a possible missing link between the objective and the rest of the Framework, the topic of disclosure and presentation needs to be handled at a much higher level in the Framework. We need to know what we are trying to convey before deciding on when and how. Therefore, the conventional framework might be re-depicted as:



Sometimes, we standard-setters have contended that financial analysis is not our business, but rather that of users. Whilst possibly correct at one level, standard-setters and preparers choose what, when and how to measure, and we use presentation, classification, and ordering, to turn data into information. To make choices, implicitly at the very least, we must have ideas about the purposes of users when they analyse.

In the case of disclosure, the existing topically driven approach has evolved into unstated or undeveloped principles as we have attempted to be more consistent in our choices. This parallels the way in which implicit conceptual frameworks for financial reporting evolve in the absence of formal frameworks. The choice, as with conceptual frameworks generally, is not about whether, for example, to have a disclosure and presentation framework, but rather between one or more implicit and ill-developed frameworks and something that is explicit, open to debate and development, and potentially much more purposeful.

The absence of a formal disclosure and presentation framework has seen unproductive arguments between competing and incompatible ideas. It has also opened us up to the risk of excessive and inconsistent disclosure requirements, building up as more and more topics are dealt with over time. It seems now to be generally recognised that this risk has been well and truly realised.

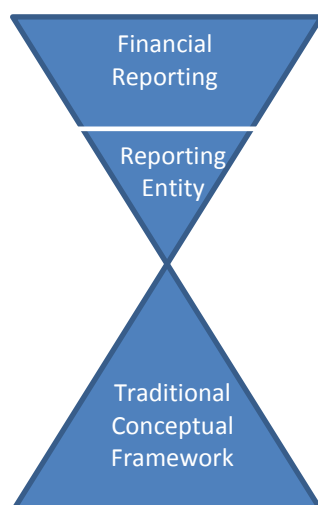
But before we get to disclosure and presentation, or indeed any other accounting responses, it is also worth stating that the definition of financial reporting – another under-developed aspect of attempts at a conceptual framework – could well benefit from the identification of the types of information about an entity that could be both useful and within the bounds of our discipline. Until now we have either depended on geographical positioning of financial reports (for example, by specifying pages in a periodic report), laws or the scoping of individual or groups of standards to determine the borders of financial reporting. And we have, wisely we hope, acknowledged that the scope of financial reporting could be expected to change as users' expectations, and even as our abilities as accountants, change. Perhaps knowing the generic characteristics of entities relevant to economic decision making can point more definitively to the borders we need.

This essay will return to the issue of defining financial reporting and other implications when the types of information that generically explain the "economics of entities" have been explored.

The Australian version of the Framework⁷ showed an inverted pyramid (see below) on top of the conventional one shown above. The importance of that placement was only partially understood then. It is becoming evident that our hunches were correct and that we should have developed the notions involved further.

⁷ As embodied in the Statements of Accounting Concepts issued by the Australian Accounting Research Foundation, which were issued and revised from August 1990 to March 1995 – these Statements were developed before the AASB adopted the IASB's *Framework for the Preparation and Presentation of Financial Statements*.

VARIATION ON CONVENTIONAL HIERARCHY



Objective-Based Development of the Conceptual Framework

When the Financial Statements Presentation project of the IASB was commenced in 2001/2002, the topic was originally titled “Performance Reporting”. There was no great distinction between disclosure and presentation and the emphasis was on connecting financial statement information with how information is used, including with reference to equity valuation approaches.

The promise of that original project could be said to have been around classifying and ordering income statements in a purposeful manner, oriented to users’ assessments. It was to be objective-driven. Further, the early papers for the project identified principles on which a performance statement might be based. An example of such principles was that, when producing income statements: expected growth rates should be the primary differentiator between performance statement components⁸. By differentiating between components that grow at different rates, it was argued that the user would have a better basis for predicting future events and estimating their effects.

Somewhere along the line, the IASB project became derailed as debates about such matters as recycling and matrix formats led to decisions to fragment and confine the project. The redirection of the project has seen us lose the perspective of an objective-driven approach to information, the performance reporting accent and the value of the principles discerned. And we have become somewhat preoccupied with rules-based presentation issues (for example, should an item be shown in other comprehensive income?). Arguably, presentation should just be a subset of the broader question of how to convey information, and logically should be driven by the same principles that should govern disclosure.

Clearing the Decks of Intellectual Baggage

This essay uses the terms “stocks” and “flows” somewhat in the manner used by economists and others⁹, instead of the terms with which accountants are more familiar, such as financial position and results. This is an appeal to accountants to free themselves from their own jargon

⁸ Drawn from various IASB staff papers presented to the IASB in 2002.

⁹ I say “somewhat in the manner” because of the following comments on capacity. I am not using “stocks” in the sense used in government financial statistics in relation to measured amounts.

and trappings, so that they may think more creatively about how to develop the Framework and, among other things, consequently to devise a disclosure and presentation framework. The use of stocks and flows is not a new idea; it comes from both the economics and accounting literature over a long period.¹⁰

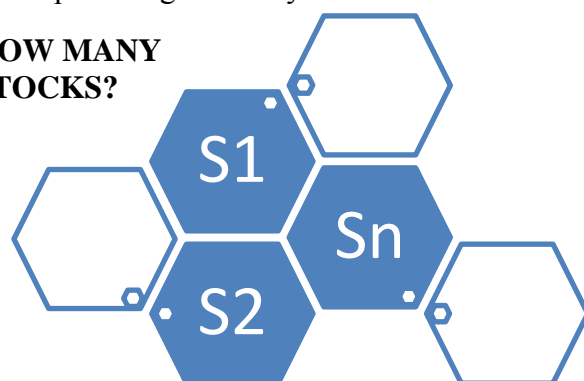
Stocks can be described as the accumulated positions, attributes or standings of an entity at any one time. Flows are the changes in those stocks during any given period.

An example of a stock would be the capacity of the entity to meet its commitments as and when they fall due. Another example would be the capacity of an entity to make new investments. Flows for these two stocks would be the change for a period in those capacities.

But entities may have thousands of stocks. What is the principle for how to discern the stocks that could, generically, be relevant to users in assessing the “economics of entities”? In the context of financial reporting, the stocks in question are all those positions, attributes or standings that are relevant to users when making decisions about allocating scarce resources. Accordingly, the objective of financial reporting must be the driver for the topic of this essay and be the broadest filter of the stocks to be considered.

I use the phrase “generically relevant stocks” – but what makes them generic and relevant?

HOW MANY STOCKS?



“Generic”, in this sense, means that all entities could have these stocks and they could be material to the decision making of all types of existing and potential users identified in the Framework. But individual entities may not have all of them, and they may vary in importance between entities.

The term “capacity”¹¹ is used so that thinking is not restricted by accounting conventions governing recognition and measurement. Disclosure is not just about explaining balances of recognised elements. For example, the capacity to meet commitments as and when they fall due may be influenced by the future market for the entity’s products, the availability of normal credit offerings in the market or committed plans for capital expenditure.

Building Blocks for Developing the Objective of Economic Decision Making

Leaving aside balance sheets, income statements, accounting methods and conventions, what are the possible stocks and flows that could, generically, be used to characterise the

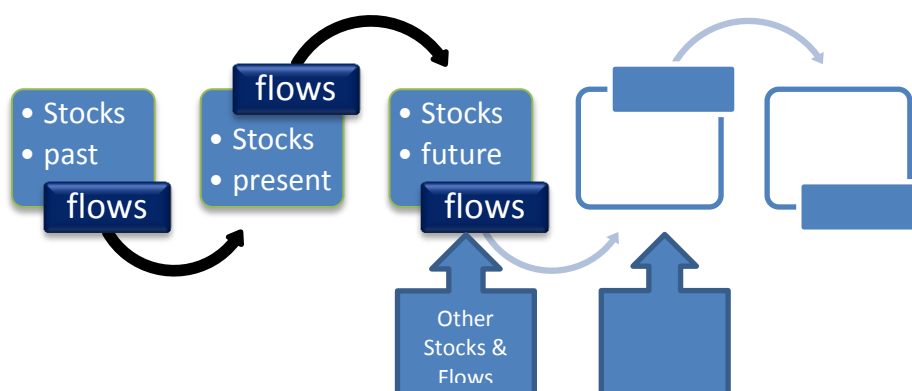
¹⁰ For example, in the early 1950s economists were debating stocks and flows in the context of monetary interest theory (for example, Lawrence H Klein *Stock and Flow Analysis in Economics*, *Econometrica*, Vol. 18, No.3, July 1950). More recently, Bob Herz, the former Chair of the Financial Accounting Standards Board, indicated his preference for this form of analysis in *Accounting Changes: Chronicles of Convergence, Crisis and Complexity in Financial Reporting*, AICPA, June 2013.

¹¹ “Capacity” is introduced three paragraphs earlier and used below to describe each stock tentatively identified in this essay.

“economics of an entity”?¹² This essay contends that there is an identifiable list of such stocks and flows and that we are actually quite familiar with the items on that list. But in the past we have not used them explicitly to directly condition the conceptual framework’s accounting constructs and responses when portraying entities and serving users’ needs.¹³

In terms of flows, in addition to their volumes, it will also be important to know about their timing, direction, pace of change, variability and predictability. Users will be concerned with both the past and the future flows of entities’ stocks.

CHARACTERISTICS OF AN ENTITY RELEVANT TO ECONOMIC DECISION MAKING AND ACCOUNTABILITY?



Stocks

The stocks set out below are expressed in terms of what users would want to be able to assess, at least in part, using financial statements. They would also often want information from other sources to complement what can be deduced from those statements. The stocks identified are highly inter-related. As for the Conceptual Framework generally, the cross-cutting aspects are more difficult to document than the building blocks that comprise it. This essay does not attempt to go into the cross-cutting issues in any length. That can come after refinement and acceptance of the stocks identified.

¹² “Economics”, as intimated early in the essay, is used here in the broadest sense and is not intended to signify a “for-profit” oriented entity.

¹³ Many participants in many debates (for example, some of those arguing for one measurement basis over another) implicitly weight different stocks and flows differently and wonder why agreement seems elusive.

Tentatively Identified Stocks¹⁴

Six stocks are identified in this essay.

1. The current capacity of the entity to provide goods or services

STOCKS



This stock relates to the very essence of why the entity exists in its current state. For example, for a mining company, it might be the ability to continue to extract quantities of high grade ore, an ability that comes from a combination of controlled rights to explore, physical access to reserves, having available appropriate property, plant and equipment, employing a suitably skilled workforce and having access to viable markets that reward the scale of operations. For a not-for-profit entity, it might relate to having access to supplies of low cost materials, well-placed and adequate collection facilities or equipment, a blend of professional and volunteer staff and appropriate distribution facilities, vehicles or equipment. Essentially the question is about how well placed is the entity to actually operate as intended?

The flows in this stock come from operations (in which resources are consumed, directly or indirectly, in return for revenue¹⁵), changes in capital (injections and withdrawals) and from impairments and windfall gains.

Apart from quantification of an entity's ability to provide goods or services as intended, we also need to know its relative context or significance. For example, the size of the stock, given the entity's stage of development, might be important. Does a for-profit entity have enough stock to be successful in each of its market segments? Can a not-for-profit entity hope to meet its community responsibility given its current level of scarce resources?

And of course, we need to know about diversity in the operational capacity, with segment reporting being one manifestation of how that information need has been served to date.

For businesses that are more mature, the current ability to provide goods or services might be a strong indicator of its ability to meet its objectives in the future. For a start-up business, the current ability might be confined to a licence just acquired and say less about the future.

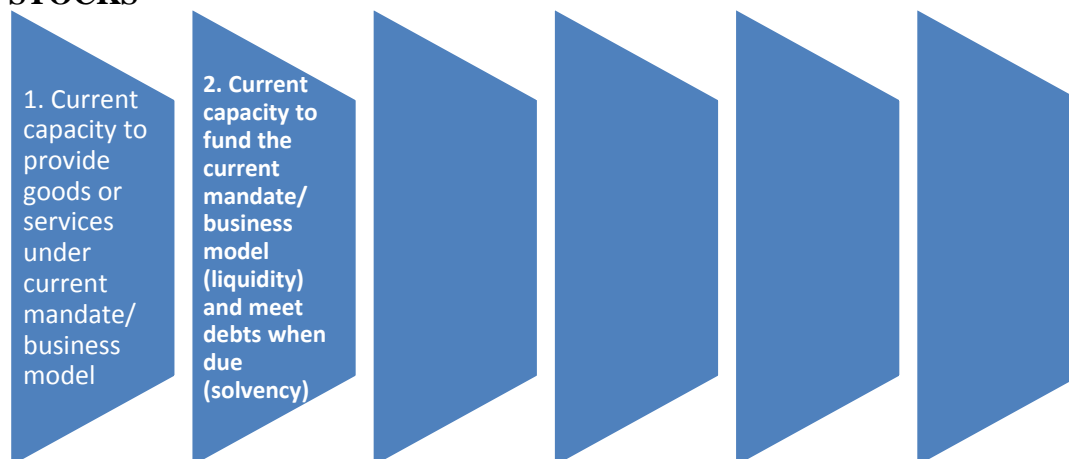
¹⁴ This section draws broadly from the work of Robert L Newman, *Financial Position: Nature and Reporting*, Accounting Theory Monograph 6, Australian Accounting Research Foundation (AARF), 1988; and before that, the work of Alan D Barton, *Objectives and Basic Concepts of Accounting*, Accounting Theory Monograph 2, AARF, 1982.

¹⁵ Including from appropriations, grants or donations to not-for-profit entities.

Across all stocks, users will also want to know about the current plans for changes, which will limit the relevance of historical data.

2. *The capacity of the entity, with its current financial structure, to efficiently and effectively fund its current operations and meet its commitments as and when they fall due*

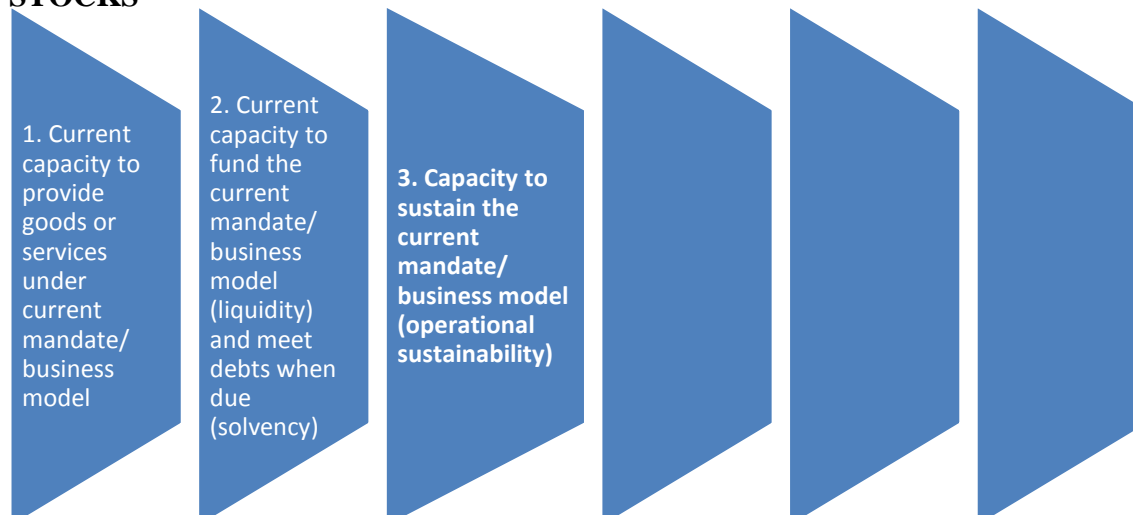
STOCKS



Users need information to assess an entity's capacity to meet its commitments as and when they fall due, whether the entity is fundamentally solvent and whether meeting those commitments would harm its current operations. Apart from their capacity to meet commitments, entities need also be able to take advantage of opportunities that arise in the context of normal operations. Considerations here would include the matching, in terms of amounts and timing, of operational cash inflows and outflows, the ability to refinance or roll-over debt when it falls due, the ability to adequately service debt and equity and the ability to acquire inputs efficiently and effectively. For a not-for-profit entity, it may be a question of the sources, types and amounts of donations, pledges, bequests received and promised, and recurring or long-term grants compared with one-off grants. For all sectors, it may also depend on traditional sources of funding remaining available.

3 *The capacity of the entity to sustain current operations*

STOCKS



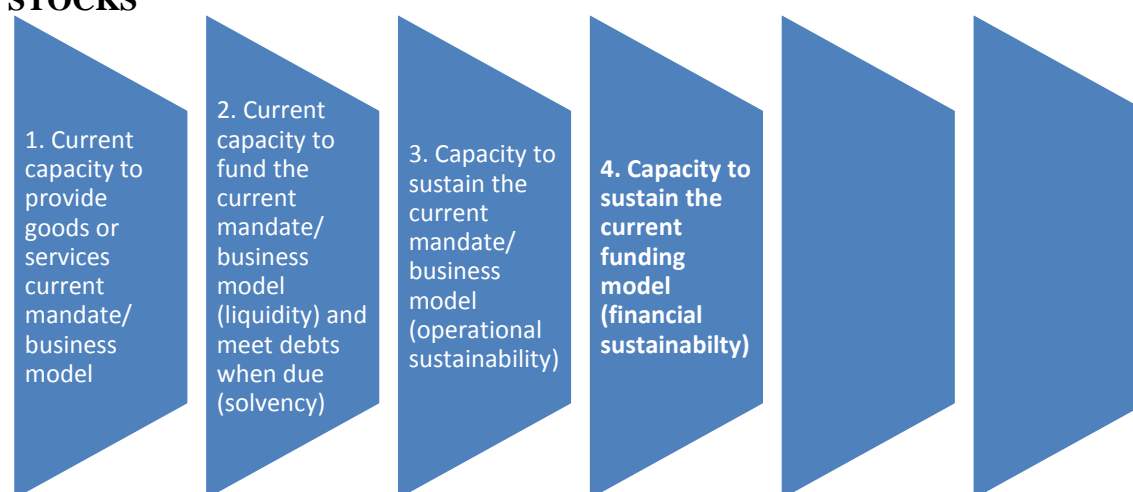
Users need to know that the entity's modes of operation are capable of being sustained. Entities can sometimes appear to be quite promising early in their existence, but fall away over time. They might depend on short-term economic circumstances or opportunistic behaviour, the benefits of which are eroded as competition enters the market, as leverage levels become unbearable, as prices return to normal or as volunteers lose enthusiasm.

The public sector recognises the notion of fiscal sustainability of governments, but the idea translates well to all reporting entities. Typically, in the public sector the topic is approached by asking what would be the consequences if it is assumed that a government maintains its current policies. This is extrapolation rather than forecasting, aimed at highlighting whether policies are sustainable. This way of approaching fiscal sustainability is not all there is to reporting on sustainability more generally, but one can see that the objective it is intended to serve need not be confined to the public sector.

Looked at more generally, are the current policies of an entity, which may appear to have been successful in the current period or in the past, really capable of being sustained over time? Some would say this is the question that the management of some financial institutions needed to seriously consider in the period leading up to the global financial crisis, when lending practices were particularly aggressive.

4. *The capacity to sustain the entity's current funding model*

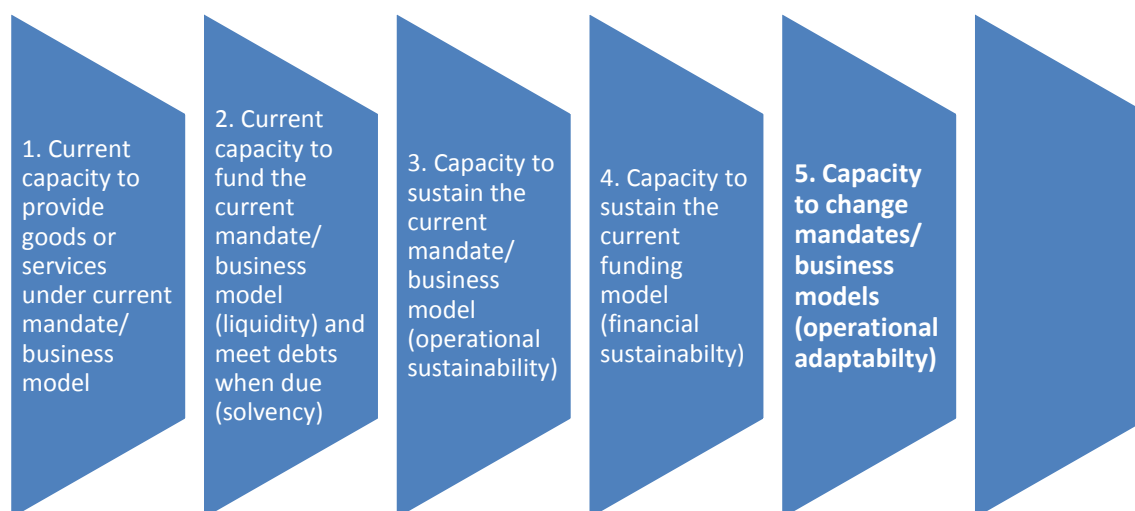
STOCKS



Though an entity's operations may seem justified on the demand side of operations, it may be employing a funding model that will work only in the current environment. An entity may be borrowing against the value of its asset holdings when market forces may be such that lending with that type of collateral dries up. A not-for-profit entity may well have growing demand for its services but may be funded in a way that can only be sustained in buoyant times or depends on a temporary arrangement between co-contributors, or may have limits placed on its capacity to raise levies or charge users for services it provides.

5. *The capacity of the entity to change operationally*

STOCKS

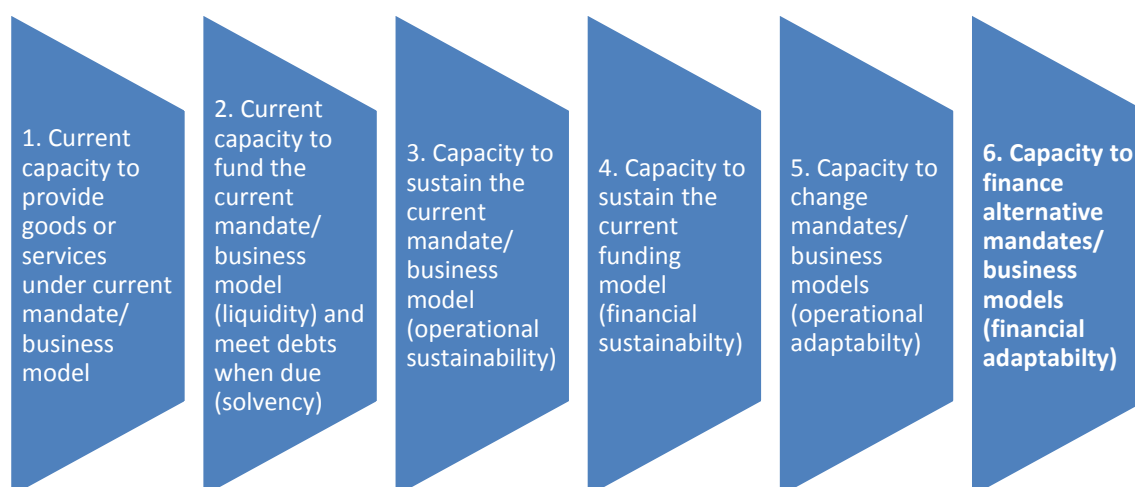


An entity might be financially solvent and financially flexible, but not necessarily be capable of adapting operationally to changes in its environment. This could be due to the nature of its specialised operations, the size of the investments required to enter the field and alternative fields, and availability of intellectual property or other inputs. The nature of an entity's investments may be such that once critical mass is reached, it is difficult to change direction quickly without severely stretching the skill sets of the entity or jeopardizing its well-being. Even with financial flexibility, the entity may not be very adaptable operationally.

The brief of an entity may limit its adaptability too. A public sector entity established for a purpose is often not free to reduce its service levels even when economic variables move against it.

6. *The capacity to finance material changes in operations*

STOCKS



If it is necessary or propitious to change the scale of the entity, to change its operations around or to cope with unexpected events, users want to know that the financial structure can

also be adapted. As with operational adaptability, information is needed about its relevance to the entity's circumstances. And it is not merely a case that the more capacity the better, as there can be a trade-off between financial flexibility and returns.

The types of information that might be relevant to financial sustainability and adaptability include lines of potentially accessible credit, the equity raising capacity, the availability of assets that might be liquidated, the scope to renegotiate debt and the status of covenant restrictions. There will be some overlap here with the types of information set out for Stock 2.

Listing of Stocks Comprehensive?

It may well be that the stocks identified could be better expressed and/or added to. However, those listed are pervasive and it is unlikely that the common information needs of the users of general purpose financial reports, in relation to the "economics of an entity", will be better explained by a much longer list of characteristics with the same degree of elevation. If this contention is right, seemingly a relatively short list of stocks could be the basis of a substantial rationalisation of the seemingly infinite list of disclosures we have built.

But life is not so simple. We need also to deal with the flows and, as indicated, the interrelationships of stocks and flows.

Flows

It follows from whichever way the stocks of an entity are analysed that users would be interested in both those identified stocks and material changes (flows) in the attributes of those stocks that have occurred or have some probability of occurring. This interest in changes will, as indicated previously, include an interest in volume, direction, pace of change, variability and predictability of change. Users will want to see over time how their expectations have been met, so they can refine their estimations and make decisions.

In accounting terms, we have seen the various attempts to define profit, operating profit, comprehensive income and many variants thereof. In broad terms, and ignoring opportunistic behaviour, those attempts, and the attempt of businesses to reveal "underlying profitability", are symptoms of the implicit need to find a better way to explain flows.

Criticisms of an undue focus on profits implicitly recognise some or all of the other attributes of stocks listed above. For example, measures of underlying earnings are produced, at least in some cases, because of concerns by preparers that the "bottom line" does not reveal the true changes in the operations of the business. The short-term "statutory profit" does not reflect their view of what will happen to profits in the future because of the inclusion of non-recurring items, because of the obscuring of an emerging trend in operational results or because they perceive limitations in extant accounting requirements.

Expressed much more positively, material changes (flows) in all of the attributes of key stocks need to be evident to the users of financial statements, rather than just profit, a compressed version of the change in one part of one fundamental stock. This is highlighted by the fact that improvements can be made in solvency, financial flexibility, adaptability, sustainability and even future profit prospects, without the income statement for a period being immediately affected.

Performance

Just as financial position may be used to cover the aggregate of the stocks of an entity, performance can be used to describe the aggregate effect of all of the flows of an entity. It is beyond the scope of this essay to explore the issue of performance in more detail, but suffice to say here that performance measured in relation to the stocks identified in this essay would not equal a broad notion of performance – but rather performance in relation to those stocks relevant to economic decision making.

Inter-relationship of Stocks

The above focus on stocks and flows therein is based on the perceived information needs of users. It does not follow that an entity increasing each of its capacities, if that were possible, will have necessarily performed well. For example, shareholders in a listed company may punish a management that builds up an entity lazily without paying dividends or returning capital. They may also punish an entity that improves its solvency and financial flexibility too conservatively; that is, at the price of lost operational opportunity. Not-for-profit entities making large surpluses may simply not be meeting their objectives. Users will want to assess the entity on various levels.

But it should be helpful to users to say that providing information about the stocks and flows above is what we are trying to achieve when conveying information – not thousands of seemingly unconnected pieces of data.

Relationship to Amount, Timing and Uncertainty of Cash Flows

The stocks and flows identified are not inconsistent with the objective to which standard-setters generally subscribe, that is, of wanting to assist users in their assessments of the amounts, timing and uncertainty of future cash flows. Rather, they provide facets or perspectives for such cash flows, enabling differing views of them to be brought into focus.

To be told that an entity has particular probability-weighted expected cash flows (X_1 to X_n) across specified periods (P_1 to P_n), without distinguishing capital expenditure, operational revenues and expenses and the rest of the information provided in financial reports, would be of very limited use.

An entity's additional investment in its capacity to provide goods or services, prompted by new regulations (for example, environmental regulations), might not give rise to an increase in expected future cash inflows – instead, that investment is necessary to protect its pre-existing ability to generate future cash inflows. Nonetheless, information about that additional investment is relevant to users in assessing the total amount invested in that capacity and likely future rates of return on that investment.

Nor do the stocks and flows identified suffer from the implicit view, seen in some literature on disclosure, that seems to accept the methods for valuing equities must be valid proxies for users' needs. Those with experience in public sector and other not-for-profit reporting find little connection with that notion. They could, however, appreciate each of the stocks and flows listed above.

More fundamentally for standard-setters, the stocks and flows provide the basis for expanding the Framework to make it more operational over time.

Financial Position / Performance vis-à-vis Financial Reporting

One of the possible consequences from identifying the generally relevant stocks and flows is that the terms “financial position” and “performance” can take on meaning. In turn, it could then be possible to define financial reporting as the discipline concerned with measuring financial position and performance as defined. This would provide guidance to standard-setters and regulators as they consider whether topics such as “integrated reporting” are within scope. This is a topic for another essay.

The other similar observation that can now be made is that when we use broad terms like the “economics of an entity” we can be more specific about what we mean. Those “economics” can be equated with the stocks of the various capacities – the scarce resources – and the flows being the changes in those resources.

Operationalising the Concepts of Financial Position and Performance (as defined)

This essay contends that once the stocks and flows generically relevant to economic decision making are identified, there will be ramifications for all of the parts of the Framework below the objective level, including for disclosure and presentation.

In relation to disclosure and presentation, instead of thinking of new requirements on a topical basis (leases, revenue, etc.), standard-setters would need to think about whether disclosures adequately describe the stocks, flows in the stocks and the inter-relationships between those stocks and flows.

For example, there are many requirements in IFRS that relate to the capacity of an entity to provide goods or services, but they are not comprehensive, co-ordinated or directly attuned to whether it is sustainable and whether the entity can adapt if it is not.

Rather, much of what is required in IFRS is driven by the classification of assets (property, plant and equipment, intangibles, leased assets, etc.) and the circumstances that provoked the development of the IFRS. The opportunity for rationalisation and improved relevance is great.

Concluding comments

In this essay, the proposition put is that there is a possible missing link in the Framework between the objective level and the levels of the Framework that are accounting response related. That gap reflects the failure to identify the generic types of information about an entity that should be relevant to users in order for them to make decisions about the allocation of scarce resources. The essay identifies the stocks and flows that are potentially relevant to all entities and might fill that gap. The essay contends that, among other consequences, purpose-driven disclosure and presentational approaches could flow from attempts to faithfully represent those stocks and flows. This would result in a substantial rationalisation of existing disclosures and provide a way of cutting through the unending debates about presentation that stem from multiple implicit conflicting goals.

The author is of the view that the implications of this essay could be illustrated by taking existing disclosures and presentation requirements and trying to classify them by reference to stocks and flows set out in this essay. This will prove not to be a simple task as the principles underlying those requirements are often unclearly stated or not stated at all.

The essay could also be extended to explore its ramifications for the vexed issue of measurement. For example, the current capacity of an entity to produce goods and services is a different stock from the capacity to adapt current operations. It might be argue that a different measurement attribute would be needed for each.

The straightforward contention is that once it is known what is to be faithfully represented, that is, the stocks and flows, it becomes much easier to rationalise decisions and achieve explicit purposes designed to assist the decision making of users.

15 August 2013

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO ONTARIO CANADA M5V 3H2

Email: stepheniefox@ifac.org

Dear Stephenie

Conceptual Framework Exposure Draft 4 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*

Thank you for the opportunity to comment on the above. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the proposals and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We appreciate that the proposals in IPSASB Conceptual Framework Exposure Draft 4 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (IPSASB CF ED 4) reflect a scope for financial reporting that is more comprehensive than that encompassed by financial statements and their notes. Nonetheless, we are concerned that the proposed modification of terminology that is well understood in the context of financial statements will cause unnecessary confusion. Furthermore, the International Accounting Standards Board (IASB) Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (IASB CF Discussion Paper) has proposed yet another approach to this topic with different modifications. While acknowledging the difference in focus of the IPSASB CF ED 4 and the IASB CF Discussion Paper we are hopeful that on the issue of terminology the two boards can reach alignment. If that cannot be achieved and there is a need for different terminology, the reasons should be fully articulated.

The Appendix to this letter contains our general comments and our response to the questions for comment. If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaaustralia.com or Kerry Hicks, the Institute by email kerry.hicks@charteredaccountants.com.au.

Yours sincerely



Alex Malley
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Appendix

General comments

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

No, we do not agree with the proposed descriptions of “presentation” and “display” as:

- a. in the context of financial statements, they modify long-established terminology
- b. they produce outcomes different from the outcomes of applying the proposals in the IASB CF Discussion Paper.

It is our view that Section 1 is about establishing terminology and the decisions an entity makes in how it will communicate general purpose financial report information.

Accordingly, we consider it is communication and not “presentation” that is the selection, location and organisation of information. Taking this approach allows “display” to be discarded and replaced with “presentation”, whereby information selected for presentation communicates the key messages. We consider this description of “presentation” aligns well with its long-established use in financial statement reporting to mean ‘on the face of the financial statements’. It is also the approach proposed in the IASB CF Discussion Paper.

Subject to the replacement of the term “display” with “presentation”, we agree with the proposed description of “disclosure”. We consider this description of “disclosure” aligns with its use in financial statement reporting. We note the approach proposed in the IASB CF Discussion Paper is to give “disclosure” a broader meaning than “presentation”. “Disclosure” is described as the process of providing useful information about the reporting entity to users and information on the face of the financial statements and notes to them are, taken together, a form of disclosure. We encourage you and the IASB to reach common ground on the description of disclosure.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

As explained in our response to Specific Matter for Comment 1, we think of these decisions as communication decisions and not presentation decisions. We agree it is useful to identify the decisions necessary to achieve the objectives of financial reporting.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

We agree that these decisions may be high level. As a consequence, they could potentially result in developments that affect, for example, the number of lower level reports, which may require more detailed decisions on information selection, location and organisation within those reports.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- a. In the financial statements; and***
- b. Within other GPFRs?***

If not, how would you modify the description(s)?

Yes, we agree with the description of information selection subject to it being described as a communication decision and not a presentation decision.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- a. In the financial statements;***
- b. In other GPFRs; and,***
- c. Between different reports within GPFRs?***

If not, how would you modify the description(s)?

Yes, we agree with the description of information location subject to it being described as a communication decision and not a presentation decision. Further, we suggest the references to “display” be replaced with references to “presentation” as we consider it is presentation, not display that describes the information selected to communicate the key messages including the information shown on the face of the financial statements.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- a. In the financial statements; and***
- b. In other GPFRs?***

If not, how would you modify the description(s)?

Yes, we agree with the description of information organisation subject to the references to “display” being replaced with references to “presentation”.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Outside of the issues identified in our responses to the preceding specific matters, we believe CF ED 4 contains sufficient detail.



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

15 August 2013

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

CONCEPTUAL EXPOSURE DRAFT 4 - CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS

The Accountant General Office of Malaysia ("AG Office") and the Malaysian Institute of Accountants ("MIA") are pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft ("ED") on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports.

General Comments:

The ED has described the framework for presentation in general purpose financial reports ("GPFs") which involved selection, location and organisation of information being displayed and disclosed in the GPFs appropriately. Our understanding is that presentation decisions on the selection, location and organization of information, consider the following:

- Needs of users;
- Objectives of financial reporting, which are to provide information useful for accountability and decision-making purposes;
- Qualitative characteristics ("QCs"), being relevance, faithful representation, understandability, timeliness, comparability and verifiability;
- Pervasive constraints, being materiality, cost-benefit and achieving an appropriate balance between the QCs; and
- High and lower level decisions which involved financial statements, other GPFs and within a report.

We observe that the above were repeated in Section 2, Section 3 and Section 4 of the ED, even though they have been discussed in relation to different areas ie information selection, information location and information organization. We suggest the IPSASB to consider the discussion of the above, in general, rather than repetitive discussion in various sections. We believe Section 1 of the ED can be maintained except for paragraph 1.8 to 1.10 on the 'presentation decisions'. We suggest the presentation decisions can be moved to a new section titled Presentation Decisions which discusses the factors for consideration above. Such new section can be located after the discussion on information selection, information location and information organisation which should also be in general.

We suggest such approach as we believe that the presentation framework is a form of 'checklist' to guide the IPSASB in developing International Public Sector Accounting Standards ("IPSASs") and Recommended Practice Guidelines ("RPGs") as well as such framework should be principle-based rather than specific.

Specific Comments:

We agree with all Specific Matters for Comment ("SMC") raised in the ED. In relation to SMC 5, paragraph 3.10 states that 'for other GPFs, displayed information may either be located separately from disclosed information or located in the same area, but distinguished from disclosed information and given prominence through the use of some other presentation technique'. We would like to clarify what would 'other presentation technique' entails.

We hope our comment would contribute to the IPSASB deliberation in finalising the ED. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli (rasmimi@mia.org.my).

Yours sincerely,



DATUK WAN SELAMAH WAN SULAIMAN
Accountant General of Malaysia
ACCOUNTANT GENERAL'S DEPARTMENT
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August 18, 2013

**Conceptual Framework for General Purpose Financial Reporting by
Public Sector Entities:
Presentation in General Purpose Financial Reports**

I'm Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS about Conceptual Framework.

Guide for Respondents

The IPSASB welcomes comments on all the proposals in CF–ED4. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for proposed changes to CF–ED4.

Specific Matters for Comment

The IPSASB particularly values comments on the Specific Matters for Comment below.

Specific Matter for Comment 1

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Yes, I agree with the proposed descriptions of “presentation”, “display” and “disclosure” and the relationships between them in Section 1, but I think I suggest that in the note need observe the transparency, in page 8, as “QCs of information are relevance, faithful representation, understandability, timeliness, comparability, and verifiability”, I understand that is very important for public sector, if the board agree.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Yes, I agree with the identification of three presentation decisions (selection, location and organization) in section 1.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

I agree with the proposed approach to making presentation decisions in Section 1.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

(a) In the financial statements; and

(b) Within other GPFRs?

If not, how would you modify the description(s)?

Yes, I agree with the description of information selection in Section 2 for in the financial statements and other GPFRs.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

(a) In the financial statements;

(b) In other GPFRs; and,

(c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Yes, I agree with the description of information location in Section 3 for: in the financial statements, in others GPFRs and between different reports within GPFRs.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

(a) In the financial statements; and

(b) In other GPFRs?

If not, how would you modify the description(s)?

Yes, I agree with the description of information organization in Section 4 for in the financial statements and in others GPFRs.

Specific Matter for Comment 7

Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

I think that for this moment CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities, but I suggest for the board observed if the discussion elaborated for European Commission can be has some impact for this discussion¹.

Thank you for opportunity for comments this proposal, if you have questions don't hesitate contact to me, rio1042370@terra.com.br.

Yours,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

552193493961

¹ <http://epp.eurostat.ec.europa.eu/portal/page/portal/conferences/introduction/2013/epsas>



The Malaysian Institute of Certified Public Accountants

(Institut Akauntan Awam Bertauliah Malaysia) (3246-U)

August 19, 2013

International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York
NY 10017 USA

Via online submission and email
(johnstanford@ifac.org)

Attn: Mr John Stanford

Dear Sir,

**COMMENTS ON IPSASB EXPOSURE DRAFT 4
CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY
PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL
REPORTS**


We refer to the Exposure Draft 4, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*, issued by the International Public Sector Accounting Standards Board ("IPSASB") of the International Federation of Accountants ("IFAC").

In this regard, we are pleased to attach the Institute's comments as set out in **Appendix I** for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully,



FOO YOKE PIN (Mr)
Executive Director

THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)

Comments from
Accounting and Auditing Technical Committee
International Public Sector Accounting Standards Board
Exposure Draft 4
Conceptual Framework for
General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports

Specific Matter for Comment 1 (pgs 8 – 9)

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

MICPA Response:

MICPA agrees with the proposed descriptions on “presentation” and “disclosure”.

However, MICPA wishes to highlight that the proposed description on “display” would be more applicable to information presented in the form of say, presentation slides, rather than the financial results as disclosed in the financial statements. In view of this, MICPA recommends that such display concepts should be left to the discretion of the management of the organisation, and that the following sentence should be deleted in order to avoid misunderstanding:

“Displayed information is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables or graphs”.

In addition, MICPA further wishes to emphasise that any information disclosed should be unbiased and faithfully represented at all times.

Specific Matter for Comment 2 (pg 9)

Do you agree with the identification of three presentation decisions (selection, location and organisation) in section 1? If not, how would you modify the identification of presentation decisions?

MICPA Response:

Agree.

Specific Matter for Comment 3 (pg 9)

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

MICPA Response:

Agree.

MICPA is of the view that the proposed recommendations are well articulated and suitable for public sector reporting purposes. However, MICPA recommends that the consistency of accounting concepts, policies and treatments should also be considered.

Specific Matter for Comment 4 (pg 10 – 11)

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

MICPA Response:

Agree.

Specific Matter for Comment 5 (pgs 12 – 13)

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

MICPA Response:

MICPA is agreeable with the proposed criteria.

However, MICPA wishes to suggest another criterion to be included, i.e. the consistency of allocating the information to be presented between different financial periods or financial statements of entities of similar nature.

MICPA further recommends the incorporation of an additional disclosure requirement with regard to the reason(s) for any change in the allocation of information presented.

Specific Matter for Comment 6 (pg 14)

Do you agree with the description of information organisation in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

MICPA Response:

Agree.

Specific Matter for Comment 7

Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

MICPA Response:

MICPA is of the view that the CF-ED4 captures the concepts proposed in general.



Building a better
working world

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2, Canada

27 August 2013

Dear Ms. Fox

Exposure Draft: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above Exposure Draft (ED or proposal).

General comments

We support and commend the Board for undertaking this difficult project. As reiterated in our other comment letters on the IPSASB's EDs for Phases 2 and 3 of the Framework, we strongly encourage the Board to closely monitor the development of the International Accounting Standards Board's (IASB) conceptual framework, especially the release of the IASB's Discussion Paper on its Conceptual Framework in July this year and consider the relevance and appropriateness of the decisions taken by the IASB for the IPSASB's conceptual framework.

Furthermore, we would encourage the Board to continue monitoring the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI)'s work in its development of a robust presentation framework for public sector entities.

In addition, we still see a need that the current IPSASB's definitions of presentation, display and disclosure could be improved. We encourage the Board to come up with more robust definitions at the conceptual level that reflects both the understanding of that terminology in the private sector as well as the wider scope of financial reporting in the public sector.

Lack of discussion on how the Board would tackle presentation requirements in new or revised standards

However, there seems to be a lack of discussion in the ED that would guide the IPSASB in its development of presentation requirements for IPSASs (or guidelines in the case of RPGs). For example, there is no discussion of how the IPSASB would tackle the review of existing presentation requirements when developing new presentation requirements in order to minimize duplicate requirements; or providing useful disclosures emphasizing the way particular transactions (e.g. financial instruments) have been accounted and the impact on an entity the particular economic phenomenon has on the entity in order to enhance users' understanding.

More guidance on balance between information usefulness and information overload

On the issue of information overload, section 2 of the ED (paragraph 2.6 & 2.7 in particular) discusses appropriate information selection in order to meet the objectives of financial reporting, which would in turn avoid information overload; and the need to provide an appropriate level of detail. However, the ED does not elaborate or explain how that could be achieved. For example, what are the criteria and thought process that preparers need to go through, in order to provide an appropriate level of detail when trying to meet the objectives of financial reporting? Further guidance would be helpful for preparers in deciding the appropriate totals, subtotals and line items to display, so that aggregated or disaggregated information, when displayed appropriately, would enhance users' understanding of the financial report. Furthermore, sufficient information need to be provided in order for users to identify the key drivers of an entity's performance and financial position, and the causes for uncertainties and judgements involved on measurements (including both financial and non-financial KPIs) used in GPFs.

Lack of linkage between presentation of information and assessment of performance

We also observe a lack of discussion on the linkage between presentation of information and users' assessment of financial performance of the entity through the financial information presented in GPFs. As a consequence of the ongoing sovereign debt crisis, citizens and other stakeholders have demanded for greater transparency and accountability in governments' finances. As such, information on performance and financial position is crucial for governments (and other decision-makers) who rely on these measures provided in the statements of financial performance, financial position and cash flows when making decisions on resource allocation. Bondholders and credit-rating agencies also rely on this information in making decisions about resource provision and credit-worthiness of the entity, and citizens rely on it when assessing stewardship of the government entities' resource deployment.

Please find our responses to the specific matters for comments set out in the Appendix to this cover letter. Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marques Berger at (+49) 711 9881 15844 or via email at thomas.muellermarques.berger@de.ey.com or Serene Seah-Tan at (+44) 20 7980 0625 or via email at serene.seah-tan@uk.ey.com.

Yours sincerely,

Ernst & Young Global Limited

Appendix

Specific matters for comment 1

Do you agree with the proposed descriptions of 'presentation', 'display', 'disclosure' and the relationships between them in Section 1? If not, how would you modify them?

Presentation

Consistent with our previous comment letter for the Conceptual Framework Phase 4 Presentation consultation paper (CP), we do not think it is necessary to have a new meaning for 'presentation' as described in this ED, and would support keeping the term 'presentation and disclosure' which is commonly understood and used in other frameworks.

The way that 'presentation' is described in the ED, is similar to the CP, which broadly encompasses the selection, location and organization of information that is displayed and disclosed in GPFRs. Notwithstanding our preference to revert to a commonly used and understood terminology, we think the definition and description is clear in the ED.

In relation to the description of the aim of presentation as described in paragraph 1.2 which currently states that 'Presentation aims to provide information that contributes towards the objectives of financial reporting and achieves the QCs...' - when discussing the objective of presenting financial information, wouldn't the most important aim be to meet the objectives, and not merely contributing towards the objectives of financial reporting? Therefore we suggest the IPSASB to word this paragraph stronger than it currently is.

Display

We support the notion of 'display' for information in GPFRs but as mentioned previously, would encourage the Board to keep to the commonly understood term of 'presentation'. The discussion in paragraph 1.3 is helpful to readers but the last sentence - 'Displayed information is presented prominently, using appropriate presentation techniques such as clear labeling, borders, tables or graphs' seems overly descriptive, and would be better placed in section 4 'Organization of information within the financial statements' which provides further guidance on the form of information presented.

Disclosure

We support the notion of 'disclosure' for information in GPFRs but as mentioned previously, would encourage the Board to keep to the commonly understood term of 'disclosure'. For example, in its recent Discussion Paper the IASB has defined disclosure as "the process of providing useful financial information about the reporting entity to users. The financial statements, including the amounts and descriptions presented in the primary financial statements and the information included in the notes to the financial statements, are, as a whole, a form of disclosure".

With regards to disclosed information as defined by the IPSASB we would like to underline that such information will not only help users to understand the displayed information. Information such as contingent liabilities are stand-alone information provided in the notes and they are of equal importance despite not providing information that directly makes displayed information useful.

Purposes and objectives of primary financial statements

We also think that there is a lack of discussion of display/presentation principles and objectives for primary financial statements:

- ▶ **Statement of financial performance**

As mentioned in our cover letter, there is a lack of discussion on the relationship between reporting on performance and the objectives of presentation. We believe that in order for users to better understand the results in the statement of financial performance, it would be helpful to clarify the purpose of that statement; to describe how recognized items of revenue and expense should be presented - aggregated or disaggregated - in a meaningful manner (such as grouping of similar items, usage of subtotals) in order for users to fully understand how efficiently and effectively those accountable (e.g. councilors/parliamentarians) have managed the resources of the entity. In addition, the information should contribute to a user's assessment of an entity's future prospects.

- ▶ **Statement of cash flows and statement of financial position**

Besides the statement of financial performance, the statement of cash flows provides useful information about an entity's activities in generating cash to repay debt, maintain or expand operating capacity; about its financing activities; and about its investing or spending of cash. This information when combined with information in the rest of the primary financial statements is useful in assessing factors that may affect an entity's liquidity and financial flexibility. The statement of financial position also depicts a view of the recognized resources (both economic and service potential) and claims against the entity (economic and service outflows) at a reporting date.

Within the conceptual framework, we believe that the perceived limitations of historical accounting information need to be discussed in the context of other types of reporting, in particular, long term fiscal sustainability, service performance reporting and budgetary reporting. We believe that the robust information from primary financial statements contribute towards, and provide the necessary data for all general purpose financial reports.

Disclosure

In relation to the discussion in paragraph 1.4 on disclosure, it could be expanded to emphasize the role of notes disclosure as follows: 'Disclosed information should supplement and complement displayed information by making makes displayed information more useful, and by providing detail that will help users to understand the displayed information...'

Specific matters for comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

We agree with the identification of the three presentation decisions.

However, paragraph 1.9 talks only about matters included within the scope of financial reporting. We would recommend that the Board be more explicit in their discussion in paragraphs 1.8 & 1.9 on the other reports, and that the scope of the presentation framework covers the preparation of such reports, if that's what the Board intended. We think that the conceptual framework should be broad enough to cover these reports. In addition, it is unclear whether it is the Board's intention to scope the information described in Conceptual Framework Chapter 2 paragraphs 14 - 31 into this section of the Framework.

Specific matters for comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

We support the Board's proposal and discussion on how presentation decisions are made. However the discussion could be expanded for more guidance on the process and considerations to be undertaken in making those decisions.

Further, we suggest that paragraph 1.10 be expanded to discuss the drivers for 'high level' and 'lower level' decisions. Example of drivers of decisions could include:

- ▶ Mandatory: regulatory (accounting/legislative/parliamentary) requirements
- ▶ Voluntary: stakeholders' (citizens/bondholders) expectations

Specific matters for comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of information selection in section 2 but suggest the following changes:

- ▶ Within paragraph 2.3 - We suggest including the discussion of consistency and comparability of information. Information should be presented consistently over time so that users will be able to compare the performance of the entity over time.
- ▶ As mentioned previously, it would be helpful to clarify in paragraph 2.5, what other GPFRs might entail e.g. long term fiscal sustainability information, budgetary information or service performance reporting information.

Specific matters for comment 5

Do you agree with the description of information location in Section 3:

- a) In the financial statements;
- b) In other GPFRs
- c) Between different reports within GPFRs?

If not how would you modify the description (s)?

We agree with the description of information location in section 3.

Specific matters for comment 6

Do you agree with the description of information organization in Section 4:

- a) In the financial statements and
- b) In other GPFRs?

If not, how would you modify the description(s)?

We agree with the description of information organization in Section 4.

Specific matters for comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We would recommend clarifying the reporting scope of 'other GPFRs'.

UNITED NATIONS SYSTEM



SYSTEME DES NATIONS UNIES

Chief Executives Board
for Coordination

Conseil des chefs de secrétariat
des organismes des Nations Unies
pour la coordination

SUBMISSION: Conceptual Framework Exposure Draft 4: *Presentation in General Purpose Financial Reports*

15 August 2013

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto Ontario Canada M5V 3H2
Dear Stephenie,

Conceptual Framework Exposure Draft 4

1 Thank you for the opportunity to comment on Conceptual Framework Exposure Draft 4 (CF-ED4 or Exposure Draft), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*.

United Nations System Task Force on Accounting Standards

2 The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system. The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The comments below represent the views of Members of the Task Force. The individual organizations that provided comments on this submission and concurred with its submission to the IPSASB are listed in Appendix 1. Where an individual organization disagreed with a particular recommendation but agreed to the

recommendation going forward to the IPSASB, this has been noted against the individual responses in Appendix 2.

General Comments

3 We support IPSASB's efforts in developing the Conceptual Framework, which establishes parameters for financial reporting under IPSAS and clarifies concepts not previously explicitly covered by the Standards.

4 The position of the Task Force on IPSASB's role in regulating content and format of non-financial information reported in the GPFRs remains unchanged as previously discussed in the Task Force's submission on the Consultation Paper on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (CF-CP4 or Consultation Paper) provided to the IPSASB in May 2012 as well as comments on CF-ED1 submitted in 2011. IPSAS Board can recommend but should not prescribe the content or format of non-financial information to be reported by public sector entities. In case of the UN system organizations, scope and presentation parameters for non-financial information reported in financial statements and other financial reports are determined based on requirements of governing bodies. This is also true for majority of other public sector organizations.

5 It was noted that the overall structure of the Exposure Draft has been notably streamlined as compared to the previously issued Consultation Paper, which was achieved by reducing repetitive cross referencing between ideas and concepts presented in the CF-CP4 as well as by excluding three presentation concepts and some of the controversial descriptions – for example, distinction between “core” and “supporting” information in the CF-CP4. Preparers of the GPFRs are also likely to benefit from an expanded guidance on presentation of the financial statements. At the same time, the Task Force is of the view that presentation concepts applicable to other GPFRs were outlined in very broad terms and were not always supported by robust discussions of practical application of the proposed approaches or an indication of benefits of introducing / complying with the proposed concepts to users and preparers of the GPFRs.

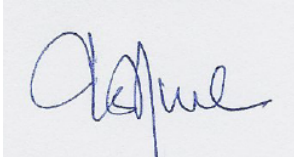
6 The Task Force also observed that each section of the CF-ED4 reviewed proposed requirements for the financial statements and other GPFRs separately. It is not clear from the discussion where the financial statement discussion and analysis, which is expected to be included in the same GPFR as the financial statements, falls within the context of the CF-ED4 for those entities that prepare the discussion and analysis following recommendations of the IPSASB's recently issued Recommended Practice Guideline 2.

Specific Matters for Comments

6 Our detailed comments on the specific matters for comment identified in CF-ED4 are attached as Appendix 2.

7 Should you have any queries on our comments, please contact Ms. Dinara Alieva, Financial Analyst, System-wide IPSAS Project Team at alievad@un.org.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chandramouli Ramanathan', is shown within a light gray rectangular box.

Chandramouli Ramanathan

Deputy Controller, United Nations &
Chair, Task Force on Accounting Standards

ramanathanc@un.org

APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS

Task Force Members from the following organizations reviewed this submission and concurred with its contents.

Organisation	Agree (Disagree)
1. FAO	Agree
2. IAEA	Agree
3. ICAO	Agree
4. ILO	Agree
5. IMO	Agree
6. ISA	Agree
7. ITU	Agree
8. PAHO	Agree
9. UN	Agree
10. UNAIDS	Agree
11. UNDP	Agree
12. UNESCO	Agree
13. UNFPA	Agree
14. UNHCR	Agree
15. UNICEF	Agree
16. UNIDO	Agree
17. UNOPS	Agree
18. UNRWA	Agree
19. UPU	Agree
20. WFP	Agree
21. WHO	Agree
22. WIPO	Agree
23. WMO	Agree
24. WTO (Tourism)	Agree
25. UNWomen	Agree

APPENDIX 2: CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: PRESENTATION IN GENERAL PURPOSE FINANCIAL REPORTS (CF-ED4 or Exposure Draft)

In response to the IPSASB's request for comments on these Specific Matters please find below comments of the Task Force:

Specific Matter for Comment 1

Do you agree that the proposed description of “presentation”, “display” and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?

Response:

The Task Force has no objections against proposed descriptions of “presentation”, “display” and “disclosure”. It was noted that description of “presentation” previously proposed by CF-CP4 was amended in CF-ED4 in line with the comments provided by the Task Force on the Consultation Paper in May 2012. The Task Force is of the view that statement in para. 1.5 of the CF-ED4 on criteria for displaying or disclosing information should be revised. It currently reads: “Information is either displayed or disclosed in GPFRs”. However other sections of the CF-ED4 which discuss display and disclosure of information state that disclosed information complements and “makes displayed information more useful by providing detail that will help users to understand the displayed information” (para. 1.4). It is common that information is displayed and disclosed (for example as a disaggregation of displayed information) in the same GPFR, hence the statement implying mutual exclusion between display and disclosure is not appropriate in this context. In addition, the reporting entity might decide to display certain information in financial statements in compliance with specific IPSAS while disclosing the same information in other GPFR depending on needs of the users of a particular report. The Task Force therefore suggests that this sentence be amended.

It was also noted that while the terms “displayed information” and “disclosed information” are introduced in Section 1 of the CF-ED4, the definition that for financial statements, displayed information is presented on the face of the statement whereas disclosures are included in the notes, is included much later in the document - in Section 3 (para. 3.9). While it is clear that Section 3 discusses location of information and is expected to address all matters related to location, it might be useful also to include the definition(s) earlier in the document to streamline the discussion.

Specific Matter for Comment 2

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

Response:

The Task Force agrees with the identification of three presentation decisions, including selection, location and organization of information in the GPFRs.

Specific Matter for Comment 3

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

Response:

As mentioned in the general comments above, the discussion in the CF-ED4 on presentation decisions in general and the proposed approach to making presentation decisions in particular were outlined in general terms. Para. 1.9 of the CF-ED 4 states that “The objectives of financial reporting, applied to the area covered by a particular report, will guide presentation decisions for that report”. As this concept is described only in theory, it is not clear if (and how) the proposed approach is different from the traditional approach used by reporting entities in making decisions on presentation of information and if (and how) entities are likely to enhance quality of information for users of their GPFRs by following the approach proposed in the Exposure Draft. The CF-ED4 also does not provide guidance on how presentation decisions made by reporting entities using the proposed approach should be coordinated with presentation requirements promulgated by IPSAS 1 and other IPSASs. The Task Force is of the view that this area of the CF-ED4 should be supplemented by further analysis, including elements of practical guidance on application of the proposed approach. This analysis can also cover the relationship between the approach proposed by the CF-ED4 and the requirements of individual IPSASs.

Specific Matter for Comment 4

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs? If not, how would you modify the description(s)?

Response:

The Task Force notes the description of information selection in Section 2 of the CF-ED4. The section on selection of information for financial statements includes a marginally expanded list of user needs while section on selection decisions for other GPFRs offers a theoretical discussion.

It was also noted that the CF-ED4 states that users of financial statements should be able to use information reported by the entity to assess “whether the entity has acquired resources economically, and used them efficiently and effectively to achieve its service delivery objectives” (para. 2.3(b)). This is a very broad concept and is likely to require reporting entities to include information which is not traditionally presented in the financial statements. Previously issued IPSASB’s Conceptual Framework pronouncements (draft and final) stated that this kind of information will be reported in the GPFRs, but not in the financial statements specifically. It would be useful if the Board clarified what kind of information is expected to be presented in the financial statements to meet this particular need of users.

Specific Matter for Comment 5

Do you agree with the description of information location in Section 3:

- (a) In the financial statements; and
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

Response:

The Task Force notes general overview of information location in Section 3 of the CF-ED4, including location in the financial statements, in other GPFRs and between different reports within GPFRs. It is observed that materiality is mentioned in para. 3.5 as “an important factor for preparers when making certain types of display decisions” while allocating information to the financial statements.

Specific Matter for Comment 6

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFRs?

If not, how would you modify the description(s)?

Response:

The Task Force has no objections against description of information organization in Section 4 of the CF-ED4. It was noted that Section 4 contains some examples of types of relationships between information included in different GPFRs or in different components/parts within a GPFR. This Section also includes expanded guidance on organization of information within the financial statements.

Specific Matter for Comment 7

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

Response:

The Task Force is of the view that CF-ED4 would benefit from inclusion of practical examples, brief analysis of differences between traditionally used and newly proposed approaches for presentation of information in GPFRs and possibly an implementation guide which would highlight benefits of complying with the proposed concepts and practical advice on how such compliance can be achieved. Perhaps additional analysis could be included as supplementary discussion in the CF-ED4. Please refer to general comments and responses to specific matters for comment above for details on specific parts of the CF-ED4 which should be further strengthened.

The Task Force finds it difficult to commit to decisions about some of the proposed approaches which are described in very general terms. It would be helpful if the IPSASB could expand the high level discussion to include practical examples and review benefits arising from compliance with each proposed approach. This discussion could be based on studies/research undertaken to assess a magnitude of improvement in the quality of GPFRs' presentation if the proposed approaches are followed, possibly carried out in countries which adopted similar Conceptual Frameworks in the past. Any change in reporting financial information brings with it implementation costs for a reporting entity, especially if it calls for an additional analysis and/or an expanded scope. In order to support such a change, the reporting entities need to have a clear understanding of risks, costs and benefits associated with implementing a new approach.



Finance

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August 15, 2013

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West, 6th Floor

Toronto, Ontario

M5V 3H2

Dear Sir/Madam:

Re: Consultation Paper – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (GPFRs)

Thank you for the opportunity to comment on the IPSASB's Exposure Draft (ED) "Presentation in General Purpose Financial Reports". The ED is the fourth and final exposure draft by the IPSASB in the development of its Conceptual Framework.

The Province of Manitoba continues to question the appropriateness of developing a conceptual framework for General Purpose Financial Reports (GPFR). The IPSASB's conceptual framework should be limited to providing historical financial information in General Purpose Financial Statements (GPFS). Developing a conceptual framework that includes non-financial and prospective information can only compromise consistency in financial reporting. It is the expressed desire of all senior governments in Canada to produce consistent and reliable financial statements.

The Province agrees that the IPSASB should include presentation standards as part of its conceptual framework. However, the Province found the concepts described in the ED to be too high level to address practical presentation issues facing governments. The proposed ED accommodates a wide variety of reports and public sector entities.

In comparison Canadian public sector presentation standards were initially designed for governments. The reporting principles under Canadian public sector standards are specific enough to produce consistent, comparable and reliable government GPFS. Admittedly IPSASB's ED may be better suited for the broader public sector. Generally the Province does not disagree with the contents of the ED but we do view the presentation framework to be helpful for the preparation of GPFS for Canadian governments.

We would like to again thank IPSASB for the opportunity to comment on this ED.

Yours truly,

"original signed by"

Betty-Anne Pratt, CA
Provincial Comptroller
Province of Manitoba

Specific Matters for Comment

- 1. Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how would you modify them?**

Information selected for display should be concise (i.e. lack of detail) and communicates the key messages to the users. Disclosed information makes displayed information more useful by providing details to understand the displayed information. The concepts in the ED are flexible and suitable for the preparation of ancillary reports, such as sustainability reports or service performance reports. However the concepts of display and disclosure are not detailed or specific enough to produce consistent and reliable GPFS for governments.

- 2. Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?**

We agree that the selection, location and organization of information are logical presentation decisions for preparing GPFRs or other ancillary reporting. However these concepts are so generic that they would not be of much assistance for the preparation of GPFS for governments.

- 3. Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?**

The proposed approach is flexible and well suited for the preparation of GPFRs.

- 4. Do you agree with the description of information selection in Section 2:**

(a) In the financial statements; and

We agree that the information selected for financial statements should provide information on the financial position, financial performance, cash flows and the extent the government has met its approved budget. Financial statements do not usually provide information to users as to whether the government has efficiently and effectively used its resources towards meeting its service performance objectives.

(b) Within other GPFRs?

We agree that the objectives of the report and the needs of the users should direct the selection of information for GPFRs. The level of detail should also direct the selection of information. The level of detail should be at a level that does not reduce the users' ability to understand the information.

If not, how would you modify the description(s)?

Financial statements enable users to assess the financial performance but are not designed to assess whether a government has achieved its service delivery objectives in an economic, efficient and effective manner. Management discussion and analysis and specific purpose reports are better suited for providing this information to the users of GPFS.

- 5. Do you agree with the description of information location in Section 3:**

(a) In the financial statements

Notes to the financial statements normally disclose information that supports information displayed on the face of the financial statements. However some notes go far beyond a supporting role for the displayed information. Notes often provide additional information to users for items that do not meet the recognition criteria, and thus are not displayed on the financial statements.

;

(b) In other GPFRs; and,

We agree that GPFS cannot meet the needs of all users. In order to ensure that displayed information is given its appropriate prominence the information should be presented in either a management discussion and analysis, or an ancillary report.

Specific Matters for Comment

(c) Between different reports within GPFRs?

We agree with the factors identified on locating information between different reports. The relevant factors are linkage, the nature of the reports (e.g. historical vs. prospective) and the legislative requirements of the jurisdiction.

If not, how would you modify the description(s)?

We have not identified any possible modifications to the descriptions.

6. Do you agree with the description of information organization in Section 4:

(a) In the financial statements; and

We agree with the concepts for the organization of displayed and disclosed information within financial statements. However the concepts presented are too general to ensure reliable, consistent and comparable reporting between governments.

(b) In other GPFRs?

We agree with the concepts within other GPFRs.

If not, how would you modify the description(s)?

We have not identified any possible modifications to the descriptions.

7. Do you consider that CF–ED4 contains sufficient detail on concepts applicable to presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

While the concepts presented in the ED are useful, the Government of Manitoba does not view them to be sufficiently explicit and detailed enough to ensure reliable and consistent reporting between governments in Canada. Attempting to design a conceptual framework that will accommodate both GPFS and GPFR does not properly serve the objectives of either type of reports.

GPFS focus on reporting past transactions and are the main accountability documents of governments in Canada. IPSASB's conceptual framework project should focus solely on GPFS. The objectives of GPFS are inconsistent with GPFRs. Extending the conceptual framework to GPFRs compromises the reliability and consistency of GPFS.



14 August 2013

Ms Stephanie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

**IPSASB Conceptual Framework Exposure Draft 4 (CF-ED4): Conceptual
Framework for General Purpose Financial Reporting by Public Sector Entities:
Presentation in General Purpose Financial Reports**

Please find attached the Australasian Council of Auditors-General (ACAG) response to the Exposure Draft referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. O'Neill', is written over a horizontal line.

Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

IPSASB Conceptual Framework Exposure Draft 4 (CF-ED4): Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

Overall comments

Maintenance of alignment between IPSASB and IASB

Consistent with our previous letters dated 31 March 2009 and 30 May 2012 in response to the Consultation Papers on the conceptual framework, ACAG supports the long term objective of having a single worldwide reporting framework for application in both the public and private sectors. However, ACAG believes that the establishment of two separate conceptual frameworks is necessary to reflect divergence in a number of accounting issues that exist and continue to evolve, between the public and private sector.

ACAG notes and supports the strategy of the IPSASB to maintain alignment between the International Public Sector Accounting Standards (IPSASs) and the International Financial Reporting Standards (IFRSs) where appropriate.

ACAG commends the IPSASB for continuing to progress work on the Conceptual Framework given the delayed progress of the IASB project on its Conceptual Framework, which has only been recently reactivated. ACAG notes that an IASB Discussion Paper of a revised Conceptual Framework was issued on the 18 July 2013.

ACAG reiterates its prior concerns that given the mismatch in the progression of the IPSASB's and IASB's respective Conceptual Framework projects, a divergence could develop and diminish alignment between the two Conceptual Frameworks. To minimise this risk, ACAG suggests the IPSASB delay finalising its Conceptual Framework until the IASB has progressed its project.

Terminology

This ED addresses presentation concepts applicable to general purpose financial statements and 'other General Purpose Financial Reports' (GPFRs). The term 'GPFRs' has been defined in points 1.4 – 1.7 of Chapter 1 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, whereas the term 'other GPFRs' has not been defined. ACAG remains uncertain as to whether 'other GPFRs' refers to other reports which may be presented in a document containing the financial statements or completely distinct reports altogether.

Currently, where information is presented in a document containing audited financial statements, the auditor's responsibilities in respect to 'other information' presented outside the audited financial statements are clearly defined in ISA 720.

Ideally, all standard setting bodies should use common or similar definitions. In the absence of a common or similar definition, ACAG finds references to 'other GPFRs' confusing. Due to the introduction of new terminology, the IPSASB may like to consider the development of a glossary of terms in respect to the Presentation in General Purpose Financial Reports.

While the ED provides high level, relevant factors to consider when evaluating how information should be presented in GPFRs, ACAG considers that the IPSASB should emphasise the clear delineation between general purpose financial statements and 'other GPFRs' in order not to create unreasonable public expectations of the auditor's role on the presentation of information outside of the audited financial statements.

As BC3 of the ED highlights, the IPSASB's view is that effective presentation of information in 'other GPFRs' is very important in meeting the objectives of financial reporting - accountability and decision making. While acknowledging the importance of the presentation of additional information in 'other GPFRs' and the challenges faced by the IPSASB and preparers, it is important to note that it could also have implications for auditors, as discussed above.

Specific Matters for Comment

- 1. Do you agree with the proposed descriptions of "presentation", "display", and "disclosure" and the relationships between them in Section 1? If not, how would you modify them?**

Consistent with our submission of the 30 May 2012 on the *Consultation Paper on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports*, ACAG continues to question the need to redefine the term 'presentation' as being the "selection, location and organisation of information that is displayed and disclosed in the GPFRs". As previously identified, in Australia financial statement preparers and users apply the term 'presentation' to information reported in primary financial statements. ACAG continues to believe that redefinition of this term will result in confusion, particularly if other standard-setters continue to apply the term in the established context.

In view of the comments on the term 'presentation' above, ACAG does not consider the proposed definition or use of the term 'display' to be appropriate or necessary.

ACAG believes that the description of 'disclosure' places emphasis on disclosures having the function of making displayed information more useful. ACAG acknowledges that while disclosed information may make displayed information more useful by providing detail that will help users to understand the displayed information, the role of disclosed information extends beyond simply enhancing, complementing and supplementing displayed information. Disclosures may also provide key information to users of the financial statements in respect to transactions and events which may not be included on the face of the financial statements. This could include for example, disclosures relating to contingent assets and liabilities, related party disclosures and events that occur after the reporting date. It is ACAG's view that discussion in the ED should seek to adequately balance these aspects of disclosed information.

While ACAG considers that some information is more important to users of financial statements, a two bucket approach of displayed and disclosed information is overly simplistic and does not adequately address the differing information needs of a range of users of GPFRs. ACAG recommends that the Conceptual Framework clearly articulate the principle that disclosure cannot remedy inadequate recognition of elements within the primary financial statements.

ACAG also notes that the proposed description of 'disclosure' includes the following:

1.4(a) the basis for the displayed information, such as applicable policies or methodology.

ACAG believes that this description could be improved to identify the basis upon which the displayed information is recognised and measured and the policies and methodologies applied in respect to the displayed information.

2. Do you agree with the identification of three presentation decisions (selection, location and organisation) in section 1? If not, how would you modify the identification of presentation decisions?

ACAG agrees that preparers must make decisions about the selection of information for inclusion within GPFRs, its location and organisation. These presentation decisions should lead to the effective communication of information possessing the desired qualitative characteristics. Such information will assist users in both making economic decisions and assessing management's discharge of their responsibility for the resources entrusted to them.

3. Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

ACAG does not agree with the proposed approach to making presentation decisions in Section 1. Our primary concern is that points 1.8 - 1.10 do not address the necessity for consistency in the presentation of information. Point 1.10 refers to development of new reports, movements in information between reports and amalgamation of reports, which is important for the initial presentation decisions for a new entity and for changes in presentation for a continuing entity. However, ACAG believes that, for a continuing entity, consistency should be a prime consideration. While consistency (both inter-period and inter-entity) is addressed in point 4.16 in relation to information organisation, ACAG is of the view that the principle of consistency warrants elevation to Section 1.

Further, ACAG believes that point 1.8 could be enhanced by making specific reference to the 'preparers' to reinforce that management of the reporting entity is responsible for the presentation of information in GPFRs. We also believe that the description should take into account "other phenomena" which may have impacted (historical presentation) and/or may impact on the reporting entity prospectively. For example, a contingent asset/liability represents phenomena which may impact on a reporting entity prospectively.

4. Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and**
- (b) Within other GPFRs?**

If not, how would you modify the description(s)?

While ACAG agrees with the principles embodied in the description of information selection in Section 2, with regards to point 2.1, we maintain the view that the primary driver for including information in the GPFRs is the preparer's consideration of the information needs of the users. Accordingly, we suggest amending point 2.1 to make this principle explicit.

5. Do you agree with the description of information location in Section 3:

- (a) In the financial statements;**
- (b) In other GPFRs; and**
- (c) Between different reports within GPFRs?**

If not, how would you modify the description(s)?

While ACAG agrees with the principles embodied in the description of information location in Section 3, ACAG would suggest the following amendments.

In respect of point 3.1, it is ACAG's view that 'location' does not impact on information's relevance, verifiability, understandability, and faithful representation. Rather, it is the nature of the information within GPFRs which is important. In ACAG's view, 'location' has an impact on the user's ability to readily discern the key messages being conveyed by the preparer. Consequently, we recommend the amendment of point 3.1 to make this distinction explicit.

Point 3.3 details three factors which are relevant to decisions about locating information in financial statements or another GPFR. Another factor which may impact on the location of information is whether the information is mandated to be audited. ACAG would recommend that audit requirements be considered in addition to legal provisions for inclusion as part jurisdiction specific factors.

ACAG suggests an amendment to point 3.6 to reference the broader function of notes to the financial statements. As previously noted in our response to the specific matter for comment 1, it is possible for a note to stand alone and provide useful information to the users about an event or transaction not captured on the face of the financial statements.

Point 3.6 also indicates a linkage between financial statements and 'other GPFRs'. ACAG believes that this link may create an unreasonable expectation on auditors about information presented in documents outside the financial statements. As set out in our overall comments above, ACAG considers that the IPSASB should emphasise the clear delineation between general purpose financial statements and 'other GPFRs' in order not to create such unreasonable public expectations of the auditor's role on the presentation of information outside of the audited financial statements.

6. Do you agree with the description of information organisation in Section 4:

- (a) In the financial statements; and**
- (b) In other GPFRs?**

If not, how would you modify the description(s)?

ACAG agrees with the principles applied in the description of information organisation in Section 4 relative to financial statements and other GPFRs. ACAG believes that the organisation of information has an important role in conveying the key messages to the users of the financial statements and other GPFRs. The organisation of information within the financial statements and other GPFRs will assist the users in identifying relationships between information in different GPFRs; information within various components of a specific report and potentially information in different parts of the individual component.

ACAG considers cross referencing or referencing an important tool for designating important relationships between items. For example in the absence of a note reference against a line item reported on the face of the financial statements, how does the reader discern where the related note disclosure in respect to the line item is located? ACAG recommends amending point 4.2 to include a specific reference to cross referencing.

7. Do you consider that CF-ED4 contains sufficient detail on concepts applicable to the presentation in GPFRs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

ACAG considers that the ED appropriately provides high level, relevant factors to consider when evaluating how information should be presented in GPFRs and that these concepts are discussed at a high level and primarily in principles based terminology. As previously indicated in our letter of the 30 May 2012, we believe it is desirable that descriptions of concepts are not overly detailed. The dangers associated with presenting more detail in respect to the concepts is that such measures could counter and/or limit the relevance and applicability of the concepts to both financial statements and other GPFRs.